First Avenue gives Park Avenue a little lesson in wise buying

WHAT kind of store would you expect to be among the leaders in the sale of the higher priced electric irons in the Westinghouse line? We were as surprised as anybody to learn that one of them was a little appliance shop in New York's lower East Side.

Most of this store's customers buy on the installment plan and can pay only 25c or 50c a week for their irons. But they do their own work — hard work. They look upon their labor-saving appliances as a carpenter looks upon his tools. They can't afford to skimp on their quality. And the latest improvements in electric irons mean considerably more to Mrs. Scalisi, who washes for a family of ten, than to Mrs. Scarsdale, who employs a laundress.

It is a bit unusual to mention the popularity of a product among low-income families as proof of quality. And yet this bears out a fifty-one year old conviction of ours that in electric appliances, at least, *quality* is just another name for *economy*. It protects everybody's investments in such products because it insures longer life, greater usefulness, and lower operating cost.

Westinghouse

The name that means everything in electricity

THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

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With The Editors

Thin Market Moves Fast

Every investor and trader knows that, as a result of Federal regulation, the stock market is now very thin and that because of this fact only a moderate volume of buying or selling is required to bring about sharp short-term fluctuations in prices of most issues. It has remained, however, for statisticians of the New York Stock Exchange to translate this generalization into a bill of particulars.

They charted price fluctuation and volume in a group of thirty representative common stocks during twelve-day periods of advance and decline in the winter of 1930-1931 and compared this with the performance of the same group of stocks in twelve-day periods of advance and decline during recent months. These periods were selected because the general price average during each was, roughly, the same. The results show that, averaging these thirty stocks, it takes only a bit more than 4,000 shares of volume to bring about a decline of 1 per cent in market price in the present regulated market, as compared with approximately 12,500 shares in the 1930-1931 period. On the other hand, it requires nearly 7,000 shares in volume to raise this average stock 1 per cent, whereas in the earlier period it required approximately 11,000 shares.

It is a most interesting fact that, at least as regards this particular selection of popular stocks, it takes considerably more volume to put the price up than to put it down. In individual issues the difference between today's volume-fluctuation ratio and that prevailing in the unregulated market of former times is wider than that shown for the composite list. Thus, it recently took only a little more than 10,000 shares to put United States Steel up 1 per cent and only 11,000 shares to put it down 1 per cent, while in the earlier periods it required 34,000 shares for a 1 per cent advance and 44,000 shares for a 1 per cent decline.

General Electric in the two recent periods went up 1 per cent on 8,000 shares, down 1 per cent on 5,000 shares, as compared with 20,000 shares on advance and 29,000 shares on decline in the earlier periods.

It cannot be denied that much good has come from regulation, but the supreme test of how prices will fare in thin markets will not be seen until another bear movement comes along. We hope that is a long way off—because we have more than a slight suspicion that while it will probably be shorter than former bear markets it will almost certainly be more violent.

IN THE NEXT ISSUE

A Cold Appraisal of the Building Prospect

BY WILLIAM C. BOBER

What Securities Will Benefit from New Deal Policies

BY J. S. WILLIAMS

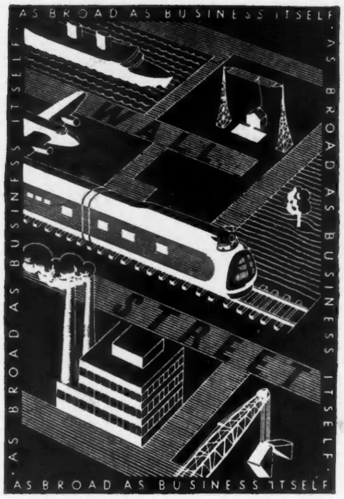
Courtesy Kaufmann & Fabry Co.

There are three important things to watch in the outlook for railroad earnings. Higher freight rates on specific commodities now being considered by the I C C. Negotiations for a 20 per cent increase in rail wages now underway. Most significant of all—the trend of traffic, which is, so far, running well above last year even in the face of steel strikes.

See page 270.

THE MAGAZINE OF WALL STREET

E. KENNETH BURGER, *Managing Editor* : C. G. WYCKOFF, *Publisher* : THEODORE M. KNAPPEN, LAURENCE STERN, *Associate Editors*



The Trend of Events

JAMMING IT THROUGH . . . The tactical value of speed in forcing an issue before those concerned have a chance to know what it is all about gave Mussolini Ethiopia, brought about the abdication of Edward of England, put over the New Deal in this country, and is the strategy which Mr. Lewis is employing for making himself Lord of Labor and potential dictator of the country.

Imagine labor everywhere under the C.I.O. with the check-off system insuring Mr. Lewis a chest of millions of dollars a week! What would stop him from forcing through his election to the Presidency and then dictatorship, by the same strong-arm methods he is using today in fomenting strikes to force his will on the corporations?

And just now, to reward Mr. Roosevelt for his assistance and support, he offers to make him a third-term President—and the papers say Mr. Roosevelt and Mr. Farley are silent. How ambition blinds the vision! Mr. Roosevelt and Mr. Farley may believe that they can clip the wings of Mr. Lewis even though his power and following greatly increase. But the voting power of a labor movement drunk with successes might be something more to reckon with than they think.

Despite the setback which the C. I. O. has currently experienced with the resumption of mill operations, the strike issue continues a grave problem.

Let us hope that a realization of the principles actually involved and a sane consideration for this country will move those at Washington before it is too late!

COMMERCIAL LOANS ARE EXPANDING . . . What may prove to be one of the most significant financial developments of the whole business recovery appears to be in the making, but so far has passed almost unnoticed, due presumably to the myriad of distractions currently commanding the headline space in the business and banking news. Consequently, it may occasion some surprise to read that beneath the cloud of recent business pessimism commercial borrowing at banks throughout the country has expanded at a more rapid rate in the first half of 1937 than in any of the boom years from 1923 to 1929. Statements of the reporting member banks indicate an expansion of roughly $475,000,000 in the first six months, and, significantly, the increase in the second quarter was greater than in the first quarter. Within the past year, the business loans of the reporting banks increased about one billion dollars, while their investments in U. S. Government securities declined about the same amount.

Reasons for the striking revival in commercial borrowing appear to cover considerable ground. Late last year and again in March and April, loans to finance inventory growth in rising commodity markets were prominent. More recently the increased costs resulting from higher wages and prices were a factor; as was the fact that the new capital market was cut off by unsettled market conditions. The important point is that evidently business men are more willing to borrow money for business purposes and the banks are more willing to

lend the money. This psychology was absent in the earlier phases of the recovery—in fact the "turn" was only apparent last year. The present trend does not appear to be compatible with fears of a serious business recession nearby.

THE DEMOCRATIC SCHISM GROWS . . . Political analysts are already writing about far-reaching shifts of alignment in the Democratic Party in the 1938 and 1940 elections. That the break between the President and an important number of influential members of Congress will have political consequences of great signifiance cannot be doubted. Mr. Roosevelt, however, is a skilled strategist and it is much too early to arrive at even the most tentative conclusions as to the drift of public sentiment that will be shown in next year's Congressional election, much less in 1940.

What business men and investors are immediately concerned with is the effect of this quarrel upon legislation now pending, especially the bill for wage and hour regulation. The President's victory in the relief bill fight can hardly be accepted as portending victory on other legislation much more controversial than this. Even if the Supreme Court issue is definitely settled, the opposition and animosity provoked by it will not end. The tendency of most opponents of this measure almost certainly will be to combat other proposed extensions of the President's powers.

The chances that Mr. Roosevelt can get all of the legislation that he wants at this session, in the form specified, appear remote. As to how much his program will be whittled, either by reluctant compromise or open rebellion in Congress, we should know within a relatively short time. After six months of constant tension and pressure upon the not-so-young gentlemen of the Senate, it is scarcely possible that the existing stalemate can last much longer. The manner in which it terminates may itself write some political history.

SHARING THE POVERTY . . . In this fifth year of the New Deal one-third of our people are underfed, ill-clad and poorly housed, according to President Roosevelt. He is making what the newspaper writers call "extensive studies" of this problem and is expected soon to sketch—possibly through another fireside chat over the radio—the "broad outlines" of an "intensified drive" to better the lot of "The Forgotten Man." Some Washington oracles say this is an innocuous attempt to divert public attention from certain embarrassing matters, such as the fruits of the New Deal labor policy and an increasingly noisy family squabble among formerly united Democrats. Others predict that Mr. Roosevelt will actually propose a share-the-national-income tax program. We don't know which view is correct, but, looking back on what has happened in Washington in recent months, nothing would surprise us.

If this "Forgotten Man" really is still out of luck after more than four years of the New Deal, one can only conclude that he is a remarkably patient and optimistic fellow. Now, however, his more ardent champions—headed by Harry Hopkins—intend to see that he comes into his own in a big way. How? Very simply. First we increase the national income to, say, \$100,000,-000,000. Then we tax all of the increase away from those making over \$2,500 a year and give it to those making less than \$2,500 a year. Q. E. D.

When two-thirds of the people apply their abilities and energies to producing some \$30,000,000,000 of additional national income that they know will be taken from them we will agree that Utopia is here. The profit-and-loss system, with which too many of the President's advisers have had no personal experience, simply does not function that way. From generation to generation it has enormously bettered the lot of all our people and to even the poorest it has given a living standard higher than that of skilled workers in many other lands. After centuries of human experience a better system has yet to be found. The progress that we can make under it will be limited only by the misguided interference of government, which produces nothing and which retards productive endeavor in direct ratio to what it confiscates from the proceeds. The clumsy hand of government cannot redistribute wealth, without halting the essential production of wealth. The Hopkins program of re-making the social order overnight would merely redistribute poverty.

WHAT ODD LOT FIGURES SHOW . . . Two interpretations have been placed on the significance of the figures which the Securities and Exchange Commission has recently begun to issue daily on odd lot transactions. The figures show that the small investor has bought stock on balance for the past three months, a period of declining markets, while the odd lot houses have sold on balance during the same period. The hardened professional trader holds to the belief that odd lot buying is not a bullish signal. His theory springs from a settled conviction that odd lot buying is invariably of the uninformed variety and an indication that stocks are passing from strong to weak hands.

The other school of thought contends that recently published figures uphold its view which is that odd lot accumulation eventually is proved to have been "smart buying"—maintaining that it is the so-called "important interests" who become panic-stricken during a decline and sell their holdings for what they will bring.

The fact that the number of stockholders in our leading corporations increases on a declining market and declines on a rising market gives some weight to this theory.

In our view it is unwise to draw sharp conclusions from the daily figures until they have been recorded over a longer period of time and under varying market conditions. On such evidence as we have, however, supplemented by numerous contacts with investors of all sizes, we incline to the opinion that over a period of time the small investor fares just as well as the so-called "big interests."

As I See It!

BY CHARLES BENEDICT

THE FAR REACHING EFFECTS OF RUSSIA'S INSTABILITY

THE Soviet government is now crumbling before our eyes. The execution of key men in industry, in the army, in government in every part of the country, makes it evident that internal dissension of serious proportions is loosening Stalin's grip. His troubles will keep him so busy at home that the value of Russia as an ally can be greatly discounted and her danger as an opponent minimized.

The political reactions in Europe upon recognition of Russia's impaired situation came thick and fast. There was a great weakening of the Loyalists' position in Spain. An alarmed England put out "feelers" for a better relationship with Germany in an endeavor to stave off open and aggressive action by Mussolini in Spain. An impotent Russia strengthened Hitler's hand, particularly with Italy as his ally—for it is certain that Mussolini will make another attempt to settle the Spanish war his way and thus get control of the entrance to the Mediterranean.

England acted quickly. Ignoring Russia and in collaboration with France, she hastened to join Germany and Italy in the four party agreement on intervention in Spain, which she had previously refused to consider.

This arrangement, however, was barely concluded when the Blum government fell. It is apparent that Mr. Blum accepted the vice premiership only as a device to cover up the great weakness in the French position which had been bolstered by confidence that the Russian alliance would hold Germany in check.

The new crisis in France caused Germany to pause. Then sizing up the situation, she decided she would do better by sticking closely to Mussolini for the present at least. Moving quickly, she cancelled Baron Von Neurath's "good-will" visit to England although it was concerned with the arrangement of loans and other economic advantages of vital importance. Having thrown her lot with Italy, her next step was to demand a four power demonstration in Spanish waters as a warning to the Loyalist government. If England had acquiesced it would have been a sign of great weakness and would have further injured her prestige. Her refusal enabled both Germany and Italy to withdraw from the intervention group and act on their own.

Now anything can happen, for it is very evident that Mussolini will not be sidetracked in his ambition to make the Mediterranean an Italian sea and to acquire an empire—and since he can only do so at the expense of England he will move to follow up every advantage to accomplish his purpose. And since England is determined to retain her empire, the possibilities for war loom ever closer and closer.

Those who believe that war is not possible because the discontent in Germany and Italy is so great that the dictators would not dare to risk actual combat, do not consider the great economic difficulties in these countries which may force the dictators to enter into a war of conquest. *(Please turn to page 391)*

Wide World Photo

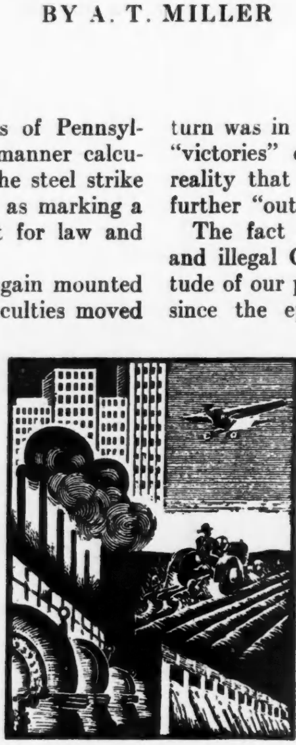
The Kremlin, the uneasy seat of the Soviet government.

What to do Now in the Market

BY A. T. MILLER

RECENTLY we have seen the Governors of Pennsylvania and Ohio apply martial law in a manner calculated to aid the cause of the C. I. O. in the steel strike areas. This could logically be interpreted as marking a new low in the decline of official respect for law and property rights.

On top of this, European war tension again mounted to fever heights; the French financial difficulties moved closer to a crisis; and at home the business indexes began to confirm previous forecasts of summer recession.



Nevertheless the stock market, on the average, stood its ground firmly in the period when the news was blackest. The resistance shown and shrinkage in trading volume to a level but little above 500,000 shares a day presented all the earmarks of a thoroughly "sold out" market—a market ready to respond to any change for the better in the news.

As this analysis is written such a change has come, in that there are tentative indications that the most dangerous phase of the C. I. O. movement has been put behind. The surface developments that support this conclusion are that the Governor of Pennsylvania has reversed his action in having state forces close the Cambria plant of Bethlehem Steel, and that the Governor of Ohio has executed an even more complete about-face by directing his military commanders to enforce the law and permit men who wish to work to return to the steel plants without molestation by C. I. O. pickets.

We are presenting in this issue an article on the subject of labor by United States Senator Bridges. Senator Bridges, of course, speaks for himself. The labor situation is of such direct and continuing interest to the stock market that we feel it incumbent upon us to make our own interpretation herewith.

To exult in the apparent victory of the independent steel companies would be to miss the vital point, as we see it. It may be that in time they will be fully unionized. The significant thing is the *reason* why the Governors of Ohio and Pennsylvania so quickly reversed themselves, and the reason why the United States Department of Justice belatedly announced a move to prosecute strikers accused of interfering with the mails.

The reason, obviously, was a mounting wave of public protest against C. I. O. law violations and rising criticism of the governmental authorities for using their powers and positions — tacitly or openly — as C. I. O. partisans. We have long been convinced that such a turn was in the making, and that underlying the great "victories" of the C. I. O. in recent months was the reality that it was steadily getting itself further and further "out on the limb."

The fact is that public resentment of irresponsible and illegal C. I. O. activities and of the pro-labor attitude of our public officials has been gradually increasing since the epidemic of sit-down strikes in Michigan months ago. The only surprising thing is that supposedly astute politicians were so slow to read the handwriting on the wall.

In our opinion, it does not much matter whether Mr. Lewis and his followers take this present reverse in good grace or whether they choose to attempt violent resistance to enforcement of the law. The latter course would merely tighten the rope of public opinion that they have fashioned around their own necks.

During recent weeks, as the action of the market showed, many conservative people have been fearful of a bear market for "property rights." That apparent reason for this fear should present itself in a period of rising prosperity was a paradoxical thing—so paradoxical that we were inclined to be skeptical of it. Normally, respect for property rights reaches lowest ebb in acute depression. Normally, as good times return, more and more people—including a host of responsible workers who own their homes or otherwise have a property stake in the capitalistic system—yearn for "normalcy" and resent any "boat-rocking." If we are not very badly mistaken, the present course of events proves that this is still true, and that our public authorities are belatedly finding it out.

Applying this reasoning to the stock market, we believe the labor situation has probably passed its peak proportions as a disturbing factor. If so, the market should be increasingly free to move in accordance with its appraisal of the business outlook, the legislative prospect at Washington and the drift of European developments.

It may well be that the rebuilding of investment and speculative confidence will require more time. The shock of reaction has been a very severe one. Nerves are still jittery. Many potential buyers, believing their risk of "missing the market" is small, reason: "Why not wait and see how this latest European war scare turns out; what happens to the French franc; what Roosevelt and Congress will do on major legislation?"

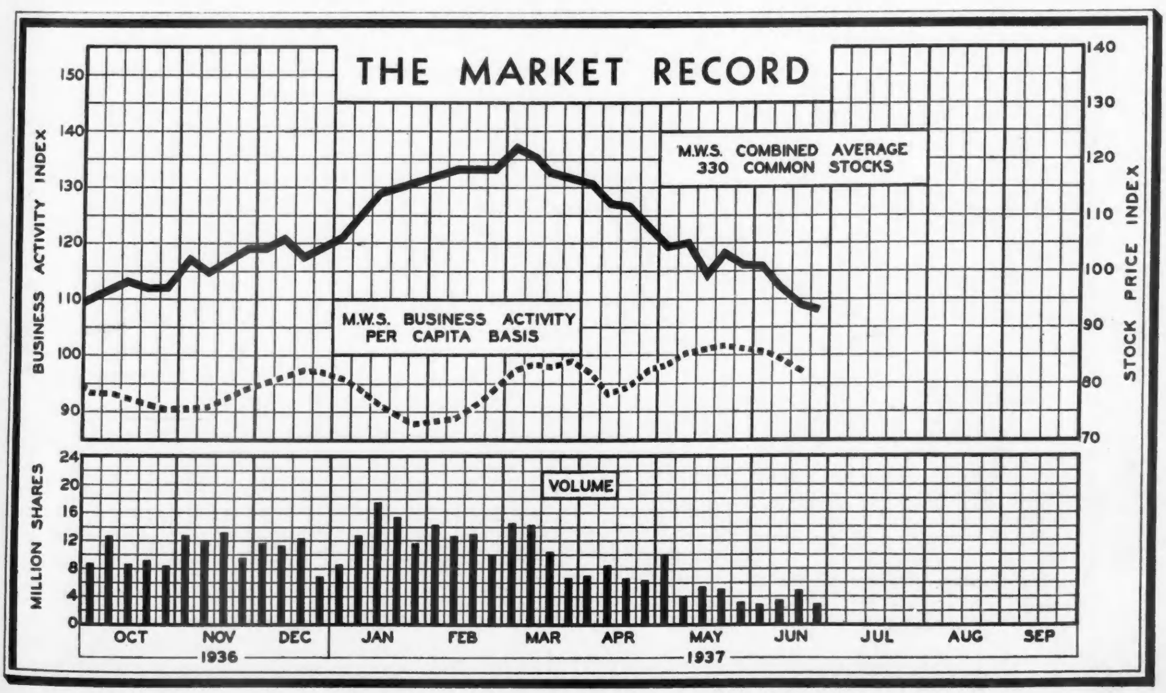
The market looks sold out. Labor violence and fear for property rights appear to have passed their peak. We look for gradual rebuilding of investment and speculative confidence and advise selective equity accumulation around present prices

The actual outcome of these matters is beyond rational forecast. Nevertheless we continue to feel that the market readjustment has been drastic enough and protracted enough to discount amply almost any conceivable adversity, with the exception of European war. Eliminating the latter possibility from consideration, many sound stocks are better buys than they have been in several years. There will continue to be a wide gap between short term money rates and 1937 dividend yields and this is the strongest support for a bull market. The New Deal will—and must—continue to desire and aim for a much larger ultimate national income, to be had only out of enlarged production and carrying with it larger profits for the great majority of efficient business organizations.

Only a few figures will suffice to bring home the fact that present prices discount more business recession than is likely during the second half of the year. As measured by our composite index of 330 stocks, at the recent low point 66 per cent of the advance since May, 1936, had been cancelled, 35 per cent of the advance since March, 1935, had been cancelled, and 28 per cent of the advance from the panic lows of March, 1933, had been cancelled. Expressed otherwise, the market is only some 30 per cent above the best level reached in July, 1933, since which time the cumulative recovery in corporate earnings and dividends has been many times 30 per cent.

Under the circumstances, we would ignore the war threat; partly because our guess is that it will not eventuate in the near future and also because, if this turned out to be the wrong guess, one would need experience only temporary "paper" losses. The initial shock might bring severe slump or even closing of markets, but the basic reality would remain that war is the most inflationary thing there is.

Among the best acting groups in the current market are the mail order and farm equipment stocks, demand for which reflects prospect of much enlarged harvests and a favorable level of farm income. Heavy steel, paper and tire company issues also show better than average action, in line with apparent favorable earnings trends. Among major groups, rails have had hard going, chiefly because of uncertainty as to the outcome of the present wage negotiations. When this issue is resolved in ultimate inevitable compromise, these stocks should respond in better fashion to generally good traffic prospects, especially as to movement of agricultural products.



Labor, Industry and Government

By U. S. Senator H. STYLES BRIDGES, New Hampshire

Senator Bridges has always been progressive in politics and has stood for many of the objectives of the New Deal before that phrase was used in current politics, but disbelieves wholeheartedly in most of the methods used to obtain the objectives. He is known as the most outspoken man in Congress on the side of law and order, and recently has attracted nation-wide attention as the author of the resolution to investigate the alleged interference with the United States mails in the strike areas.

We have asked him for his views of the current labor question and the following forceful article is his reply.—EDITOR.

I HAVE little patience with a political party or an individual who criticizes, blocks or tears down the other fellow's attempted solution of a serious problem and offers nothing constructive and forward-looking in its place.

That has been one of the chief criticisms of my party during the past few years. Unfortunately, some of this criticism has been all too true. We want a constructive program of action for our party which will leave no room for such criticism.

YESTERDAY

At the same time, we must remember that opposition to reckless or wrong action is our duty, and change is not always necessary or wise. A party isn't blocking progress when it blocks change which is foolish or dangerous. An illustration is the President's Supreme Court proposal. We Republicans are resisting it, and we will fight any compromise. We are offering no substitute. There isn't any. We are simply against it because it is totally wrong. But the problem of wages and hours is another and a different kind of problem. On this we offer a substitute, a substitute of constructive action. "I say to you now, with full knowledge of the wishes of other Republican leaders that the Republican Party today wants action, proposes action, and will get action."

I made this statement in offering a Federal Minimum Wage bill as a substitute for the Aministration's Black-Connery Bill, for I believe that the Black-Connery Bill will defeat is own purpose and be more destructive of the standards of life of our people than it will be helpful.

As former Governor of New Hampshire, and as a representative of my State in the United States Senate, I have initiated and supported constructive action on the part of the Republican Party. My record, I believe, proves that I am a friend of labor. No one has a more sincere desire to raise the standards of living and improve general conditions of working people than I have. I know what it is to work with my hands. I was reared on a farm and did all the chores that a farm boy usually does. I did a little more than that for I had to earn money for an education. My State has large industrial areas and I know the problems and aspirations of industrial workers. They have had my support in all legitimate efforts to improve their economic position. It was because of my understanding of these and related problems that, as Governor, I put into operation a Minimum Wage Law, enacted an Unemployment Insurance Law, signed the first Interstate Labor Compact for the purpose of raising labor standards in the country, and advanced other legislation of this general character.

Organized labor has a very definite and important place in our national life. For years I have encouraged labor to organize and I shall continue to support it in all its fair and legitimate moves. I have supported the principle of collective bargaining. It is labor's strong right arm and I want it to grow stronger.

However, I will not string along with a demagogue keeping silent, or, even worse, patting labor on the back

when it goes to extremes and violates a dozen laws.

There is little spark and no drama in a middle of the road policy. The flaming extremist, "trying anything once," provides the thrill. I will take a chance, however, and give up the headlines to urge calm reason and common honesty on the part of employer, employee and government so that we may arrive at the time—and arrive quickly—when employer and employee realize that the interests of each are the interests of both and government becomes an impartial referee.

The employer by law in his dealings with his employees must refrain from unfair practices. Labor organizations will surely see that it is to their best interest that they, too, must refrain from unfair practices. Employers must not hire labor spies and conduct an espionage system against workers. Workers should not seek to gain their goal—no matter how just that goal may be —by such ill-considered action as the sit-down strike. I voted against both these practices in the United States Senate and I shall continue to condemn such errors on the part of either employer or employee.

I am writing this article in the middle of June. Deep unrest pervades the country, newspapers are filled with stories of rioting and bloodshed. Through it all—the wave of sit-down strikes, the interference with the United States mail, and the like—President Roosevelt has remained silent. It would seem that he has substituted evasion for leadership. I believe that the people of this country—Republicans and Democrats alike—are not satisfied with evasion.

Believing the great mass of our citizens want and will insist upon law and order—pulling the employer up sharply when he violates it and courageously condemning labor or any one group of leaders in labor when they violate it—I called a halt to tampering with the United States mail.

Strikers and post office officials were to blame in this instance and I fought them vigorously, but if conditions were reversed and industry sought to stop mails from reaching the workers on strike, I would denounce them just as vigorously and attempt to bring them to the bar of justice.

That's what I mean by a middle-of-the-road policy. I want President Roosevelt, just as I would want a Republican President, to forget about votes and think about the welfare of all our people. If, through my Senate investigation of the mails, I have prodded the New Deal into waking up to its responsibility, I am satisfied.

Since the beginning of constitutional government public opinion has more or less swung evenly back and forth between policies which are now termed "right and left." So long as this pendulum of opinion swings steadily and evenly we will progress and prosper. The pendulum must swing that way. It is normal. It is necessary. Without that swing back and forth there would be nothing, for there would be no vitality in our political mechanism. It is only when that pendulum begins to swing unevenly, unsteadily, irregularly, or too far to one or the other side that we face danger. Informed people realize that danger to constitutional government can result from a swing too far to the right no less than a swing too far in the other direction.

We face that danger to democratic government now. The pendulum is not swinging evenly and steadily. It is not swinging normally. It is being pushed by force. Mighty hands are on it, tugging and pulling for a complete swing to absolute, totalitarian control.

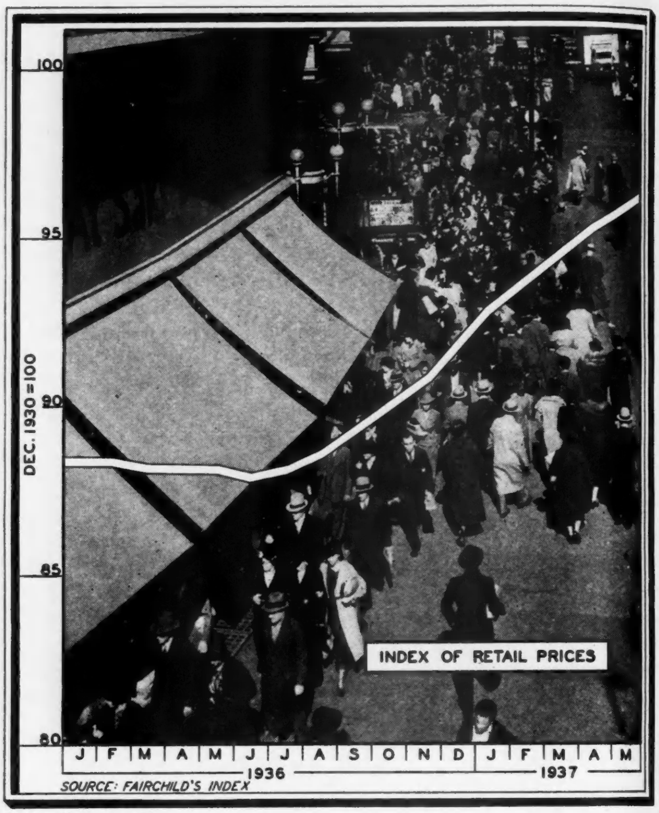
Personal ambitions have more to do with this mighty pull on the pendulum than economic forces. Unemployment, labor relations, production, distribution, the cry of "human rights vs. property rights," all are in varying degrees stalking horses for these ambitions.

Caught in the middle of this situation, constitutional democracry is being attacked on several fronts. On one front unsound fiscal policies have brought about a financial condition sufficient to challenge the stability and integrity of the government itself. A continuation of these fiscal policies could, without any help from other unfriendly forces, result in disorder. Administration advisers now agree to that. While I do not want to minimize the seriousness of the situation, I do want to express a note of hope, for there is convincing evidence of the fact that the people themselves are going to take steps to correct it. *(Please turn to page 386)*

TODAY

Gauging Autumn's Consumer Demand

BY JOHN D. C. WELDON



Ewing Galloway Photo

In the present period of pessimistic prosperity business men are paying more than usual attention to the financial status and spending psychology of that undersized, worried-looking individual who is customarily depicted by the cartoonists—somewhat libellously—as "Average Consumer."

There is a widely held belief that this fellow's purchasing power and his willingness to spend it during coming months will largely determine the scope of any nearby business recession and the timing of the next phase of industrial expansion. The reasoning behind this view is that in various important industries orders on the books are now being filled at a faster rate than new demand is coming in. Since there appears to be nothing in the commodity price outlook, the labor situation or the policies of the Government that is likely to invite another wave of forward buying by business men, who will keep the recovery ball rolling except this "Average Consumer" and his brothers, sisters, uncles, aunts, nieces, nephews, cousins, etc.?

The consumer's purchasing power is his money income in relation to what he can buy with it. Generally speaking and despite some exceptions, his money income has risen greatly up to the present time, and has risen more than has the cost of living. The question, however, is whether his purchasing power will continue to increase during the second half of the year, or be maintained at its present level or decline.

Our constant endeavor being to throw such light as we can on the problems and perplexities of the business man and the investors, we shall in this article examine the business prospect from the consumer's side of the picture. This involves taking a look at the apparent trends of money income among the more important occupational groups and forecasting as far as possible the trend of retail prices and the cost of living during the rest of this year. For rational perspective, however, it will first be appropriate to attempt a realistic appraisal of the part that the consumer actually plays in relation to the *origin* of changes—either up or down—in the business cycle.

It is, of course, true that in the long run there must be a healthy balance between consumption and production. Nevertheless the fact is that the consumer's role is a secondary one and that production is the most vital factor. To put it any other way is to put the cart before the horse. Where do consumers get their income? In part, it may be borrowed; and for a small minority it may derive from interest and rents. For some, such as farmers or other producers of primary products, it may be importantly determined by the price level. But for the biggest number of consumers, purchasing power is obtained out of the current production and distribution of goods and services. It comes from wages and salaries. This employee income normally constitutes some 64 to 66 per cent of the total national income. Since it derives *from* productive economic activity, changes in its total follow, rather than precede, changes in economic activity.

The consumer was not responsible for turning the trend of business activity up with a frantic rush in the spring of 1933. A basic reversal in national credit policy and a wave of forward buying by business men were first in the sequence. Recovery in the consumer's income naturally followed as a result of enlarged production and payrolls, improved farm prices, disburse-

ment of borrowed purchasing power by the Government.

The consumer did not suddenly stop buying in October, 1929. He began to cut down only after credit deflation, shrinking payrolls, growing unemployment, declining prices and the demands of his creditors gave him reason to do so.

One of the classic economic myths of modern times is the famous "buyers' strike" of 1920. This has been dusted off and trotted out by so many financial commentators—during periods of rising living costs, as at present—that it has become rather firmly imbedded in the economic traditions of the nation. What actually happened in that 1919-1920 "boom and bust" can be readily seen simply by checking back on the monthly trends of commodity prices, cost of living, payrolls and department store trade for the period. We have done so and the results are shown on an accompanying graph.

From March, 1919, to June, 1920, commodity prices, as measured by the Department of Labor's composite index, advanced slightly more than 27 per cent and the cost of living index of the National Industrial Conference Board soared by more than 25 per cent, but the adjusted index of department store sales increased by 33 per cent. How was that possible? Simply because employee and farmer incomes in the aggregate were going up faster than either prices or the cost of living. Over that same period the industrial payroll index went up approximately 35 per cent. Indeed, it is most interesting to note that department store trade reached its peak in the exact month in which the cost of living was at its highest, which was in July, 1920. That was one month after payrolls had turned down and two months after the commodity price index had reached its peak.

In short, the economic sequence was as follows: Fast price rise, excessive forward buying by business, top-heavy inventories, cessation of business buying, slump in prices, decline in economic activity, shrinkage in payrolls, reduced consumer income, slower trade. To complete the picture, it may be noted that decline in trade lagged well behind decline in payrolls and prices. In the twelve months beginning June, 1920, prices fell 43 per cent, payrolls 37 per cent and department store sales only 11 per cent.

This more or less ancient history is pertinent today because many people are wondering about the effects of higher retail prices and a higher living cost upon next autumn's trade and industrial activity. The situation is far from a duplicate of that in 1919-1920. In the former period prices and the cost of living increased more in fourteen months than they have done during the past four years. In that period the problem set up by forward buying and excessive inventories was of far vaster proportions than any now existing. In that period the commodity price peak was not much less than double the level now prevailing and represented an unsupportable extreme of price inflation not remotely equivalent to the present situation. In contrast with that period, commodity prices during the past year have had a net advance of only 11 per cent and the cost of living an advance of only 6 per cent. Comparing favorably is the fact that, as in the 1919-1920 boom, aggregate consumer income over the past year has had a remarkably sharp rise. In the year up to April—latest month for which official data is available—the Department of Labor's index of payrolls in manufacturing industry advanced more than 32 per cent, which means a gain of about $72,000,000 per week in pay envelopes. Despite strikes, total payrolls very likely have improved since April because business activity through May was above the April average. For what it is worth, the Department of Commerce estimates that employee compensation increased approximately $5,000,000,000 during the calendar year 1936 to a total of $41,250,000,000. It may be assumed that this gain has been maintained, if not extended, during the first half of this year, since first-half business activity will permit no other conclusion.

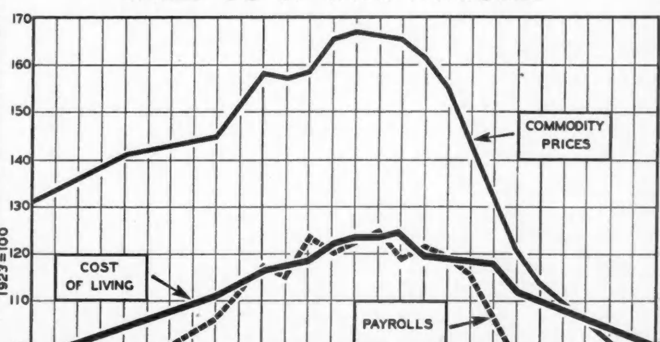
For the first four months of this year cash farm income exceeded that of the corresponding period of 1936 by $554,000,000 or 27 per cent. It is probable that such income for the first half year will approximate $4,000,000,000 and certain that it will be the largest first-half total since 1930.

Dividends paid during the first five months of this year, as compiled by the New York Times, amounted to $1,584,000,000 or an increase of $310,000,000 over the same period of 1936.

In these three classes of income it is apparent without question that the gain during the first half of the year has substantially exceeded the addition to 1936 income that was contributed by the $2,000,000,000 veterans' bonus.

What is the prospect for the rest of the year? As to payrolls, it cannot be expected that the recent rate of gain will be maintained. Quite aside from probability of at least some recession in production, there is the statistical fact that first-half year comparisons have been with the poorest period of 1936, while second-half comparisons will be with a 1936 period of sharply rising activity. Indeed, the odds would appear to be

SALES GO UP WITH PAYROLLS

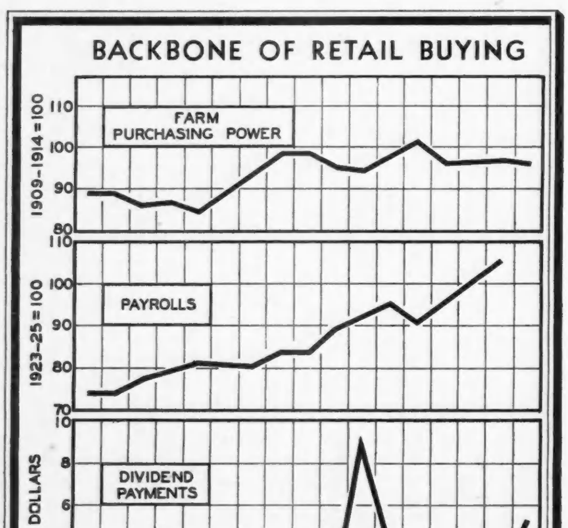


that third quarter payrolls will fall at least somewhat under the second quarter level and unless business activity experiences a rather notable fourth quarter rise, employee compensation for the second half of the year probably will not extend first-half gains.

On the other hand we have a rising trend of construction, a fundamentally favorable position in most durable goods industries, a continuance of easy money and a rising trend of business credit. Therefore, barring a complete demoralization resulting from the politico-labor factors, it is utterly inconceivable that either payrolls or prices can go into any such nose dive as was seen in either the 1920-1921 deflation or the deflation that began in 1929. The worst that we could possibly foresee would be a relatively moderate and temporary recession in payrolls; and, bearing in mind the economic relationships prevailing in the 1919-1920 expansion, as heretofore detailed, there is no reason whatever to suppose that a moderate decline in payrolls will have serious consequences on trade activity.

No confident forecast of farm income for the second half of the year can be made this far ahead. This writer's guess would be that it will at least equal estimated $4,000,000,000 income for the first half of the year, with possibility that it may exceed this figure. The seasonal factor, of course, calls for a rise, with summer and autumn harvesting of important money crops. The uncertain factors, as usual, are weather, size of crops and prices. Except in a setting of general deflation, enlarged harvests—such as appear certain—usually more than offset lower farm prices.

Dividend income during the second half of the year will compare with a 1936 period in which such distributions were ballooned by the first impact of the Federal tax on undistributed earnings. There will be a similar year-end spurt of dividends in November and December. It is highly improbable that percentage increases



in second half-year earnings, as compared with a year ago, will come even close to such gains during the first half of this year; and it is therefore to be doubted that dividends for this period can importantly exceed those of a year ago.

Second half-year changes in returns from interest, rents and other sources can be omitted from our survey as relatively unimportant in relation to the national income picture, however vital to a minority of individuals.

We have heretofore dealt with *money* income. That is not the same thing as purchasing power. Fortunately, in the aggregate, consumer purchasing power up to the present time has increased only moderately less than has money income, since money income has risen much faster than the cost of living—but because it is likely that the rate of gain in money income will slacken somewhat during the second half-year, the probable trend of second half-year living costs becomes of increasing interest.

There is no cost of living index that can apply to all consumers. For our purposes the most appropriate is that of the National Industrial Conference. This is a calculation of the living costs of wage workers. It gives food a rating of 33 per cent in the family budget; housing (rent), 20 per cent; clothing, 12 per cent; fuel and light, 5 per cent; and sundries, 30 per cent. These items must be examined individually, for their trends are not uniform.

Food, biggest item in this index, experienced no net advance in 1936, but over the first five months of this year advanced approximately 4.3 per cent. The seasonal trend of a great many foods will be downward, however, over the summer months, and the larger crops in prospect should tend to check, if not reverse, the recent rising trend.

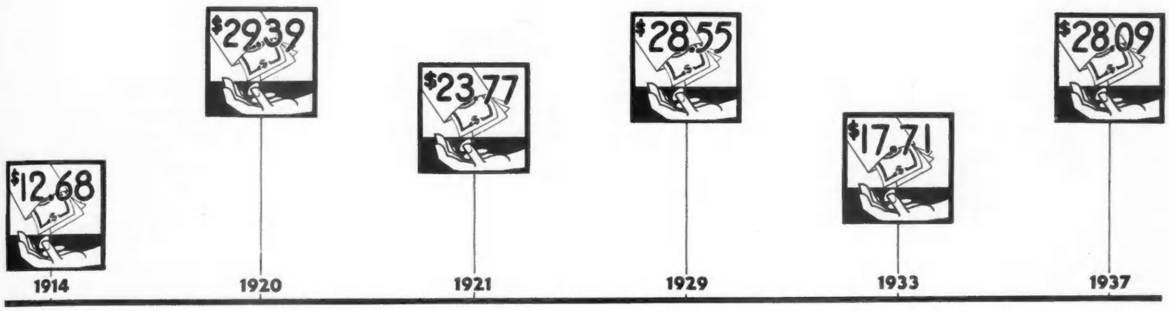
Clothing, like food, experienced no net advance last year but, in fact, a trifling decline. Since December, however, it has risen by about 3.5 per cent, reflecting higher material prices and enlarged labor costs. While the full increase in labor and material costs has not yet been passed on to the ultimate consumer, it is somewhat to be doubted that the average monthly rate of gain of the past five months will be accelerated. It is quite certain that autumn clothing prices are not going to be as high as enthusiastic wholesalers and merchants were predicting a few months ago when commodity markets were booming and the sky seemed the limit. Reaction in primary markets, sizable retail inventories, increased concern over the near-term business prospect and the recent reappearance of clearance sales have put a different light on the matter of prices.

There will be no important change in the item of fuel and light, weighted at only 5 per cent of the wage worker's budget. Sundries, weighted at 30 per cent, appear to be advancing at a very slow pace, the increase since December having been slightly more than 1.5 per cent and the increase from a year ago having been, roughly, 2.7 per cent. This item is not fully analogous to the Fairchild retail price index, which covers department store merchandise. That index showed virtually no rise during the first seven months of last year but began to rise in August, since which time the advance up to May amounted to 8 per cent. The advance since December 1 has been. (*Please turn to page 386*)

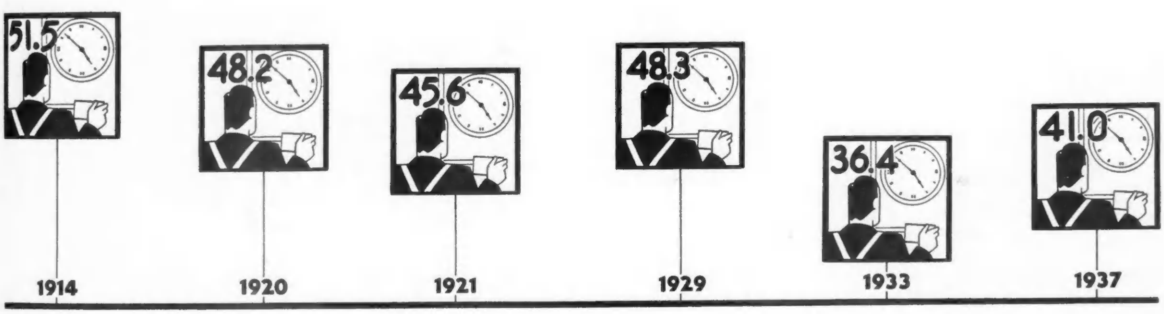
Wages In Manufacturing Industries

A Graphic Comparison

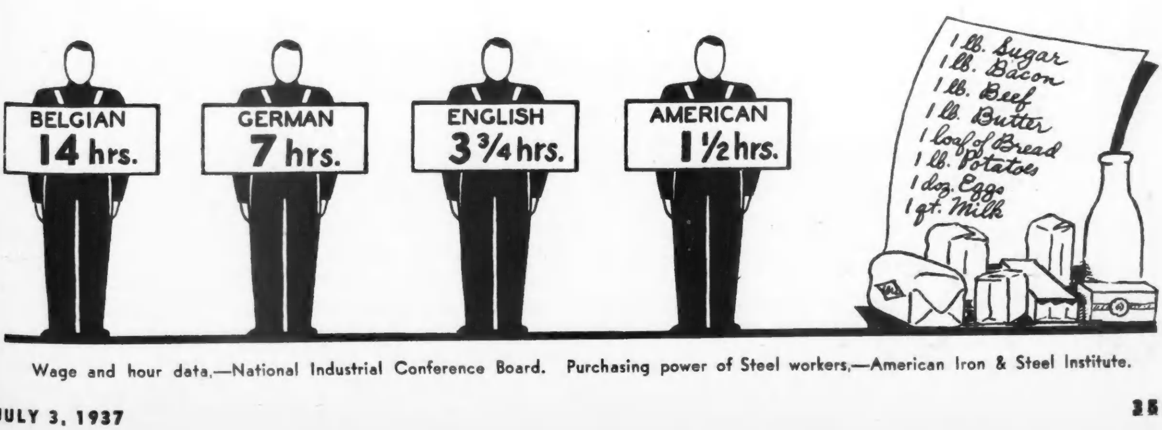
Average weekly earnings in 25 manufacturing industries are almost back to the levels of the boom and are considerably more than double those of 1914.



Yet the hours worked per week have shown a continuous decline, which means that actual hourly rates have shown a greater advance than average weekly wage.



Comparing the American worker with wage earners abroad, and taking the steel industry as an example, the illustration below shows a comparison of the number of hours the steel employees of various countries must work to buy essentials.



Wage and hour data.—National Industrial Conference Board. Purchasing power of Steel workers.—American Iron & Steel Institute.

Happening in Washington

BY E. K. T.

Roosevelt has out-run many groups of his supporters in zeal for social progress and reform. Farmers aren't demanding his farm legislation; labor is cool to parts of wage-hour bill; liberals oppose court packing; leaders balked at relief funds; other legislation lags. He is moving too fast and far to suit large blocks in Congress but they are not certain how far he is ahead of majority of voters.

"Garner revolt" has more to it than the V. P.'s self-imposed summer rustication; means that conservative Democrats, particularly Southerners, are ready to let President know, as gently as possible, that he can no longer lead them by the nose. They seek brakes on Roosevelt, not break with him. Mixed with concern for economic consequences of his program is concern for state of party in 1939-40 when continuance of one-man rule will be acute issue.

Al fresco politics at Jefferson Island Democratic picnic was attempt to balm party sores with Roosevelt charm, but die-hards took antidotes first.

WASHINGTON SEES—

President Roosevelt outstripping his followers in zeal for uplift.

Congress conservatives trying quietly to get control of party councils.

Tax-dodger hunt less spectacular and productive than advertised.

Utilities refusing to lead with the chin on Norris bill.

Wage and Hour Bill hearings getting nowhere.

Administration preparing to endorse written union contracts.

Wealth sharing hints as masking big deficit talk.

Roosevelt on defensive is next development. He takes defeat with outward smile but inward determination, holds grudges, bides his time, works indirectly; but he may go to public via radio. Local politics will feel his (Farley's) hand in next elections involving rebellious Congressmen. His defense will be chiefly vigorous offense on new tacks.

Brain trust fade-out leaves administration with few whipping boys. Disaffected partymen can't vent all spleen on Tugwell, General Johnson, et al., but must openly criticize Roosevelt or keep still.

Tax inquiry may be anticlimax to administration's advance ballyhoo. Treasury admits apparent legality of most avoidance schemes so far dissected and relies on pillorying of few individuals to deter others from using same devices but runs the risk of simply advertising the loopholes. Little legislation affecting many citizens is anticipated from this end of the inquiry; withholding tax on payments to non-resident aliens will be raised above present 10 per cent, with State Department not objecting much this time; personal holding companies, incorporated hobbies, other phony corporations used to escape personal income taxes will be cracked down on. Major loopholes like mineral depletion allowance and community property rule have long been controversial and are backed by such large blocs in Congress that their modification is hardly to be expected this session. Something may be done to speed litigation and appeal of tax cases.

T V A dicker to sell power in Arkansas, outside its territory, may give it an income showing even though selling at a loss and would improve its position in fighting utilities in its region.

Power interests are not rising to the bait of public ownership advocates in connection with hearings on Norris bill to T V A-ize the nation. Though sponsors announced utilities would be heard first, none have yet asked to testify and may not, fearful that bill's passage would be assured if it could be argued, as Norris boasted, that only opposition is from "power trust." Bill will not pass this session and meanwhile much opposition will rise from other sources.

Mail stoppage at strikers' behest being used by anti-labor Congress group as vehicle for investigating administration's aid and comfort to C. I. O. drive, but if this threatens to get out of hand it will be counteracted by pro-labor disclosures of LaFollette civil (union) liberties committee. Union complaint that armed steel mill guards violate federal firearms act will have the edge removed by seizures of unregistered arms from strikers.

Roosevelt and Lewis still see largely eye to eye, on both long-range social trends and short-time political expediency. Roosevelt thinks labor has been under dog too long, should now have legal rights and economic power at least equal, perhaps superior, to management; feels that violence, excesses, irresponsibilities are but natural transition incidents. Also is not averse to labor being a solid political entity, voting as a unit.

Signed contracts with unions is definitely administrative objective. Senator Wagner, admitting he has said his law does not require agreement, now says when agreement is reached, failure to reduce to writing is bad faith and illegal — nice technicality. Management's charge that contracts with unions are worthless because one-sided and unenforceable is answered with fact that some old unions now in C. I. O.—e. g., Berry's pressmen—have good record of keeping contracts and eschewing strikes. Labor Board is now working up cases in which it will decide that contracts must be written and signed.

Wage-hour bill hearings are listless—old stories being retold. But there is much unexpressed opposition to bill as introduced, and it will be passed only in much-altered form. Will be almost wholly anti-sweat shop measure with strictly limited powers delegated to board to make exemptions and no concealed provisions for regulating business, distributing wealth, controlling unemployment, or economic planning.

President's program for legislation this summer is in doubt. Something will be saved, probably tax loophole plugging and wage-hour bill, but maybe little else of much importance. Congress badly wants to quit and will be hard to hold after all fiscal measures are passed, but Roosevelt still has control and will demand that some of his measures get through.

Relief bill vote giving President about all he asked shows he has yet some control over Congress despite defection of leaders; shows deference Congress pays to voters on relief; means continuance of system of federal handouts to cities and of President's political power inherent in ability to allocate funds.

Labor committee chairmanship in House, vacated by death of Representative Connery, goes to Mary Norton of Jersey City, able Congresswoman but under thumb of North Jersey politicos who recently antagonized union labor so much that under-cover fight was made to pass her by for conservative southerner next in rank. She is pro-worker but not so passionately pro-union as was Connery, which may have important bearing on outcome of wage-hour bill.

Pictures Inc.

Mary Norton, Representative from New Jersey—more pro-worker than pro-union—succeeds to chairmanship of House Labor Committee vacated by recent death of Rep. Connery

Social Security amendments proposed by S S Board for immediate enactment have been in Ways and Means Chairman Doughton's pocket for a month, despite his colleagues' pleas for a look. Delay puzzles and embarrasses the administration.

Court packing denunciation by Senate judiciary committee was so bitter, so directed at Roosevelt personally, that observers gasped. Means unhealable breach between Roosevelt and Senators who signed it, in spite of whatever amends latter may try to make in future. Plan may yet come up this session. Roosevelt's smiling silence does not mean he has dropped it. He hasn't.

Sugar lobby denunciation by Roosevelt was largely warranted. It is powerful; always has been, always will be as long as sugar is political commodity. But other side is that Administration, through State and Agriculture departments, has been doing plenty of lobbying for its sugar ideas. Result will probably be no bill.

Labor joke: local building trade gassip is that A. F. of L. union carpenters, painters, etc., won't work at remodeling building bought for United Mine Workers' headquarters because of peeve at Lewis, and since Lewis won't hire "scabs" he is up a tree.

Wealth-sharing hints dropped by Roosevelt keep vision of more abundant Utopia before eyes of straggling followers and soft-pedal big deficit talk by suggesting we'll all soon be so rich it won't matter.

Anti-lynching bill already passed by House with administration support is now on Senate calendar, Southerners have defeated such for (*Please turn to page* 391)

Possibilities in Socony-Vacuum

BY STEPHEN VALIANT

Photos in this article by courtesy of Socony-Vacuum Oil Co., Inc.

The Socony-Vacuum Company maintains headquarters and executive offices in its own building located at 26 Broadway, New York City

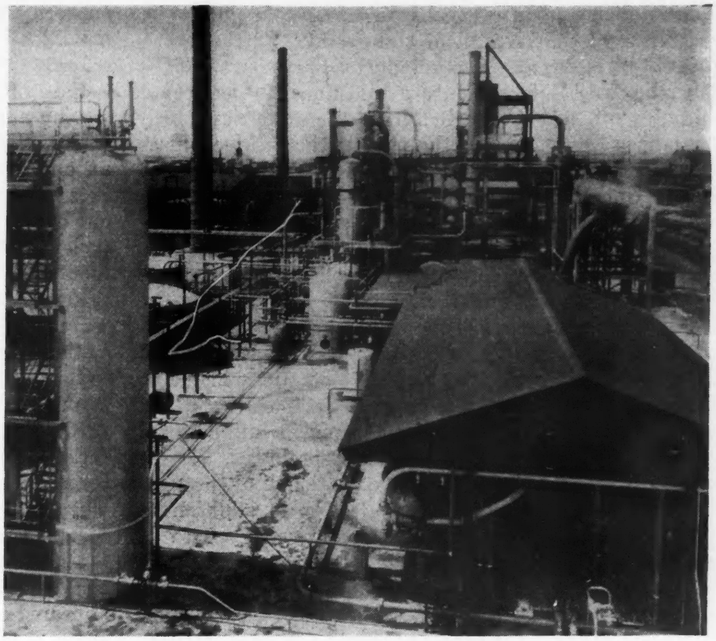
THERE are many features of Socony-Vacuum shares, as an equity of investment caliber, that went by unnoticed during earlier phases of the bull market. At the present time, these features are evidently beginning to attract wider attention. In fact, during the course of the year so far, the relative market position of the issue has been reversed from its earlier status of a notable laggard to its new status of a stock displaying better than average market performance. Published and private comment on this score has embraced "reasons" that range from simple nonsense to elaborate fantasy. There is no occasion to look for hidden secrets to account for the apparent improvement of investor sentiment toward the issue. It is all on the surface. Socony-Vacuum has most of the "protection features" that conservative security buyers are looking for at the present time—coupled with reasonably well indicated prospects for future expansion in earnings.

These general observations can be strongly supported by citation of some of the more important facts concerning the company and its operations. The present status and prospects of the petroleum industry, at home and abroad, will be discussed in greater detail later. However, in listing features of Socony-Vacuum that attract favorable attention one might start with the consensus of most expert observers that the trade outlook for the petroleum industry is good, and the fact that Socony-Vacuum is one of the three largest companies operating in that industry. Whatever may come out of the Administration policies as they are shaping up at present, one broad objective appears to stand out more clearly than all others, namely, an effort to increase the mass purchasing power of both farm and urban populations. Consumers of gasoline—the money product of the oil business—are no longer a limited number of wealthy car owners, but the "masses." An appreciable portion of this growing mass purchasing power is being spent for motor fuel and motor lubricants, as recent consumption trends, which already surpass earlier trade estimates, show unmistakably.

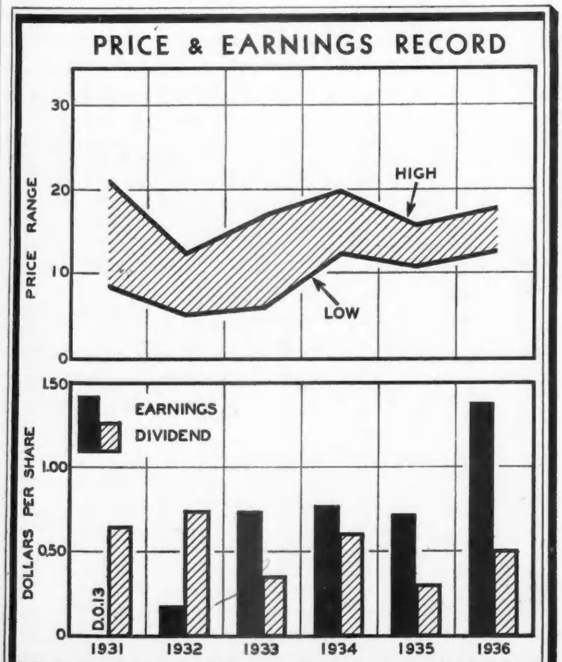
Federal and state regulation, obnoxious to some other trades, have created an effective measure of protection for investors in petroleum issues against the historic

plague of the industry, i. e., unregulated production which periodically upsets the delicate balance between supply and market requirements on which oil profits are vitally dependent. Under the present order, the efficient producer and refiner holds the advantage — not the unit that happens to be fortunately situated with a new "discovery" on which it may profit at the expense of the industry as a whole. Socony-Vacuum definitely falls into the former category.

There are other important Socony-Vacuum features, which heretofore have not shown up in dollars and cents and possibly have been overlooked in past market advances, when public attention was concentrated largely on the "fast movers." One of these features is the excellent labor relations which the management has maintained with its employees over a long period of time. During the depression, its record in "work sharing plans" was conspicuous to a degree that aroused some grumbling among shareholders. It had employee representation long before the depression, and successfully settled labor problems in joint conferences with employees long before the Wagner Act was conceived.


General view of Socony-Vacuum refinery, Paulsboro, N. J.

It has shown more than average foresight in labor relations through adoption of sick leave, vacations, a liberal pension plan for more than 35 years and other "rights" for which labor is now fighting a bitter and costly battle in other sectors of the industrial front. Wages in the oil industry are higher than the much-discussed automobile labor pay, and Socony-Vacuum pays at least prevailing rates for similar work in every community. Whether these policies were influenced by hard-headed, practical business considerations or by a high sense of social responsibility is beside the main point. They have brought harmonious labor relations, likely to pay dividends under existing conditions of labor unrest.



Another point along much the same line is the fact that the company's labor policies are easily adaptable to New Deal legislation such as the Wagner Act, the Social Security Act and the pending Connery Bill, which are creating vexing problems for other business organizations. It is understood to be the intention of the management to conform with the technicalities of the Wagner Act as well as with the broader objective of the act by continuing its policy of meeting employee representatives in an honest effort to sustain harmonious relations. Likewise no difficulty is expected in embracing the compulsory features of the Social Security Act, without, however, reducing the more liberal standards of the similar plan which the company maintained voluntary for many years. Although participation in the company plan is voluntary, it embraces practically all of the 36,000 eligible employees.

This discussion of Socony-Vacuum Oil Company has been projected on a comparative basis. In its labor relationships, the company is observed to be well above average, but admittedly other large American corporations also enjoy favorable labor relationships. There are only a few, however, which have, for example, the worldwide scope of business activity. This is a tangible factor that appears to have an important bearing at the present time on the relative attractiveness of the company's securities. Its foreign business embraces 40 countries—practically every important commercial nation in the world except Russia, where the oil business is a tight government monopoly.

Such diversity of interests and broadly scattered

sources of income are usually regarded as a protective feature from the investment standpoint. Further, with an evident recovery phase in industrial activity throughout the world, larger future additions to aggregate earnings might be expected from the countries which have been laggards up to the present time. Mechanization of industry and popular ownership of motor vehicles in the United States have outdistanced the rest of the world by a very wide degree. Long term growth possibilities thus appear to be wider in the foreign markets, served by comparatively fewer petroleum organizations than in the domestic market.

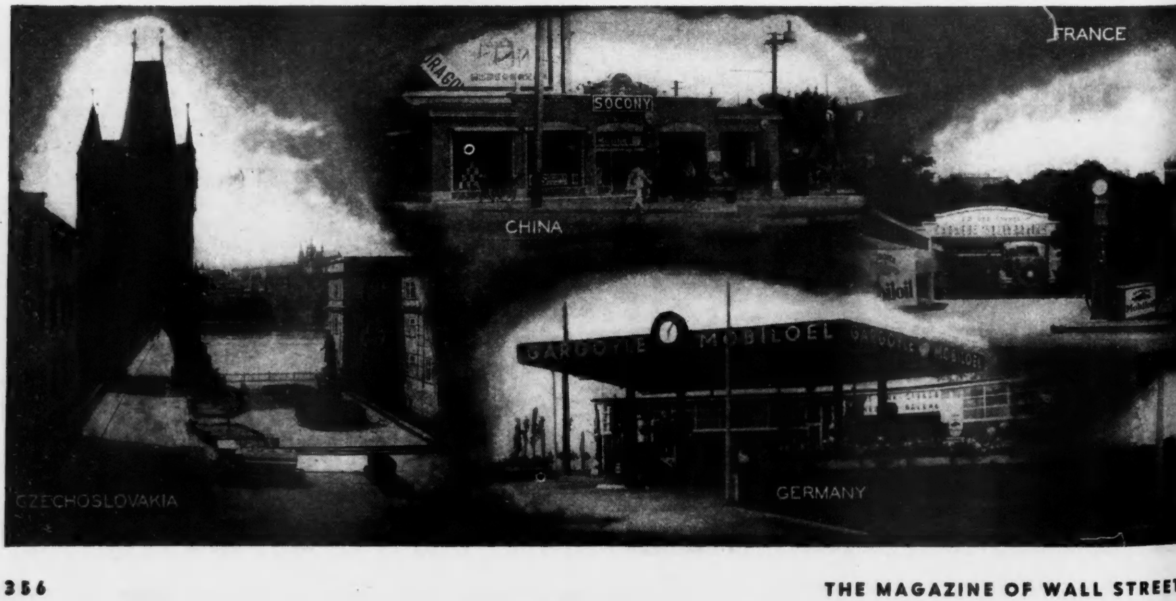
Although about half of the company's gross income is obtained from foreign operations, the larger part of earnings have come from domestic operations in recent years. This is partly due to special difficulties which have confronted all companies trading in international markets, such as tariffs, exchange problems, foreign trade quotas and the rising tide of nationalism throughout the world during the past decade, in addition to special requirements of various countries in regard to petroleum products.

It is the policy of Socony-Vacuum to identify itself as closely as possible with every country in which it operates, anywhere throughout the world. Operating units have been incorporated under the laws of the country which they serve and, in so far as practical, they are staffed by nationals familiar with trade conditions and market requirements. Sales literature, service manuals, etc., are printed in the language of the country and sales methods are tuned to the sensibilities of the local market. Equipment of each one of the foreign units varies considerably. There is no standardization possible under this general scheme, some units being purely sales outlets, some having manufacturing as well as distributing facilities and some units also controlling crude oil production. In a general way, this is determined by the prevailing profit margins between crude, refined products and retail sales prices, adjusting these levels for any special duties or trading costs that might exist.

The manager or staff of each foreign unit has enough authority and responsibility to operate as an autonomous local unit, under a well understood policy of contributing toward the general economic development and welfare of the country of residence, rather than merely serving as an outlet for the parent company's business. This policy does not make for as wide profits as would an opportunist method of trading in the foreign markets, "as, if and when" large profits can be squeezed out of the local business. It appears to be a foresighted policy that safeguards the company's extensive investment abroad, however, in good times and bad, as well as serving as a measure of insurance against one of those waves of nationalism which occasionally threaten in Latin America and elsewhere.

It is well known that national policies of most foreign countries, relating to petroleum products, take into account the strategic value of petroleum as a war material. This special angle of an oil business as widespread as that of Socony-Vacuum cannot be overlooked. The question of whether an open conflict of military forces abroad would be a bullish or bearish development for this company has been under active discussion in the financial district ever since the first war clouds appeared on the European horizon. How would Socony-Vacuum shareholders fare in the event of a European war? No one—not even the best informed officials of the company—is in a position to answer such a question dogmatically. First one would have to know "what war?"—who would fight whom? The line-up has shifted widely from time to time during the past few years. As discussed above Socony-Vacuum's interests abroad are universal. It would have foreign subsidiaries domiciled on both sides of any possible major conflict and, of course, the risk of property damage therefrom is inescapable.

It seems to this writer, however, there is a good deal in this situation to offset the risk of property damage in the event of open hostilities abroad. It is an historical fact that war creates a favorable market for petroleum products, not only in the actual sphere of hostilities but throughout the world. The emphasis on mobility of land forces, on aviation, on mechanism of war and

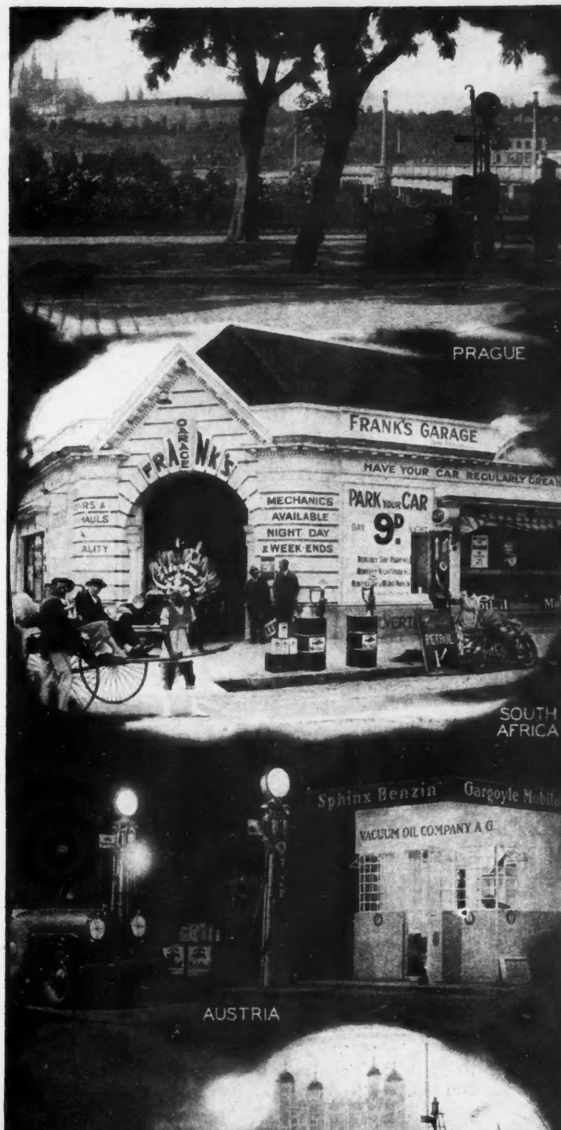


peace industries behind the lines means that in any future conflict gasoline, lubricants and fuel would be indispensable. The League of Nations sanctions irked Mussolini in the Ethiopian campaign but when the threat arose of cutting off petroleum supplies from the Italian forces, England and the other nations were told bluntly that such action would mean war.

Socony-Vacuum, jointly with Standard Oil of New Jersey, is affiliated with the English and French in production from the Iraq fields. Other foreign units control actual and potential crude supplies in probable "neutral" countries such as Colombia, Venezuela and Dutch East Indies. The company has refineries in a number of European countries. Undoubtedly, war would bring perplexing and delicate international problems of policy and diplomacy for the management to solve. Conceivably, the recently passed neutrality legislation might cut off American crude and refined supplies from some distributing points. On the whole, however, it is this writer's opinion that hostilities would at least temporarily enhance rather than restrict earnings of the foreign properties. For this reason the shares would probably have a strong market from war psychology.

This view is given simply as one observer's opinion on the probable stock market position of Socony-Vacuum shares as a "war issue." It is a narrow view, of course, that does not attempt to take into account the longer term repercussions from the violent upheavals that accompany warfare. The latter consideration can hardly be listed as favorable. The writer recently had the occasion to discuss this side of the picture with Socony-Vacuum's president, Mr. John A. Brown, who expressed a very emphatic opinion that business—his business or any other business—in the long run would suffer far more in the event of a world war than would be gained from any early but temporary advantages from war demands.

Amplifying other published statements relative to the company's foreign prospects, President Brown indicated that business of the company outside of the United States had shown, on the whole, definite improvement in recent year. He believes that (*Please turn to page* 390)



√ **Any Investment Is Inevitably Modified When New Capital Is Raised**

How New Financing Affects the Security Holder

BY J. S. WILLIAMS

When a corporation decides to raise money by the sale of securities, it sets in motion machinery, the effects of which cannot be escaped by those who already possess a financial interest in the corporation. A stockholder, for example, offered rights to subscribe to additional shares of stock is unable to say "this is not a game to my liking and I won't play." He just has to do something, if it is only to sell his stock and retire from the situation entirely. If he decides to take up his rights in order to retain his proportionate ownership of the business, it means that he must increase his investment. If the rights are sold, he disposes of something which is essentially capital, for the proceeds from the sale of rights should never be regarded in the light of cash dividends.

Investor's Stake Is Altered

Sometimes new financing results in the investor waking up one morning to discover that a new bond or preferred stock issue has appeared which has a claim to the earnings of the corporation prior to his own. Then, too, investors are affected indirectly by new financing. A particular security, for example, may be doing very well only to suffer a severe sinking spell on the announcement that new financing is in the offing. Should convertible securities be sold, it almost certainly means that some time subsequently there will be weeks, possibly months, of market lethargy soon after the issue passes through the conversion price. This is because many will convert and sell the converted security in order to take the profit that will result under these circumstances.

In the five months ended May 31, this year, The Commercial & Financial Chronicle calculates that the sale of long-term bonds raised some $322,000,000 of new corporate capital and that some $197,000,000 was raised by the sale of common and preferred stocks. This is considerably more than was raised during the corresponding period of last year and much above that raised in the first five months of 1933, 1934 and 1935. Assuming that neither the darkening of the present labor clouds nor that new circumstances arise to reverse the present recovery movement, the corporate demand for new capital should expand apace. This will mean that more and more investors will wonder what to do with rights and, later, whether to exercise their warrants or whether to convert their bonds.

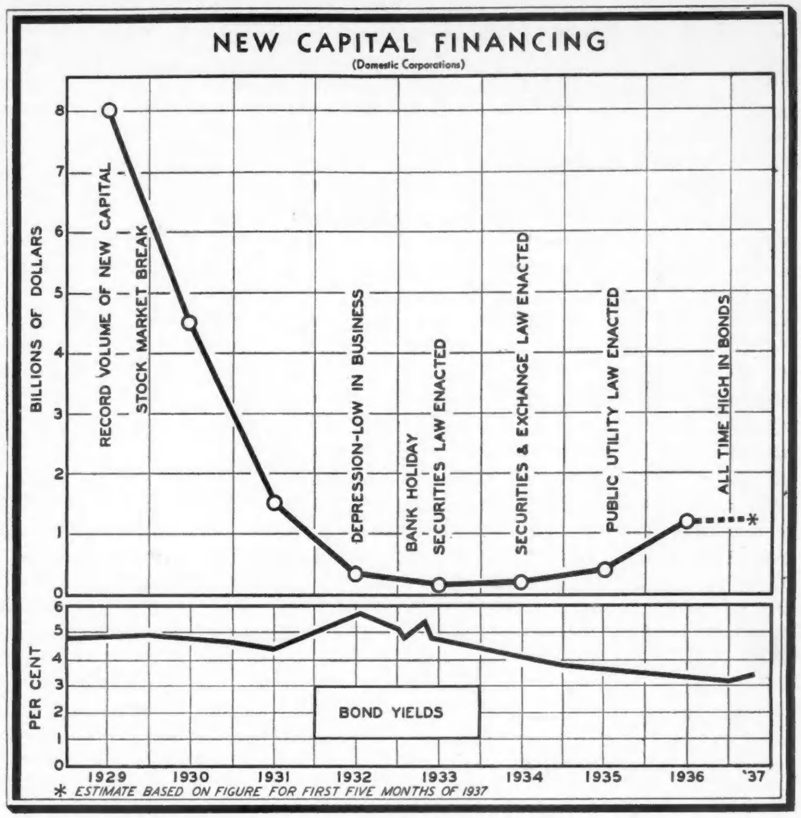
When a company announces that it intends to raise additional capital, the investor should first inquire as to the disposition of the proceeds. There are many different reasons why a corporation should need more money. As will be seen from the accompanying table, however, the more usual ones are to liquidate indebtedness, to increase working capital and for expansion purposes. The first of these may be dismissed quite briefly, for any change it might make in the investor's status is a quite minor one. When it comes time to repay bank loans, it means that money borrowed for a specific purpose has presumably been used for that purpose with the stockholder's knowledge and consent. Hence, the mere fact that bank loans are capitalized does not alter the situation: if it should cost a little more in fixed charges over the interest paid the bank, the difference may be considered a justifiable premium for the advantage of borrowing at long term over borrowing at short term.

Why Is New Capital Sought?

Capital raised to increase working capital and for expansion purposes needs to be investigated a little further. It may be asked: "Why is it necessary to expand working capital? Sometimes it is because of an increasing business that requires more money for a larger physical volume of inventory and to finance a growing list of accounts receivable. If the increased business appears to be sound and lasting, the investor has every reason for hoping that the needed money will be raised—even to the point of providing some of it himself. Sometimes, however, a business requires more money mainly because of the higher price prevailing for the materials handled. Indeed, one can conceive of a business actually losing volume and yet at the same time be in the market for additional working capital because of the rise in prices. This situation is not a desirable one and, generally speaking, liquidation of the entire commitment is likely to be the investor's best policy. In those instances, which make up the vast majority of the working capital deficiency cases, it is a combination of increased business and higher prices,

and one can only attempt to apportion the two reasons and take action accordingly.

To raise capital for the expansion of plant and other facilities is a very common cause of new financing. It is, however, not easy for the average investor to appraise the merits of an expansion program. He might ask, perhaps, whether the expansion contemplated is in the company's old line of business, or at least in the same general field. This, of course, is on the theory that expansion in a line thoroughly understood by the management is more likely to prove successful than a venture entirely unrelated to the company's old activities. There are, of course, many examples in the past of companies tackling a business previously unknown to them and with very satisfactory results. Briggs Manufacturing, for example, a successful manufacturer of automobile bodies, is currently doing very well with bathroom fixtures; Reynolds Spring has done well in plastics; while Budd Manufacturing is looking to the light-weight train to replace the life gone from its business of making car bodies. Generally speaking, however, there should be at least *some* connection between the new line and the old and in many cases where a company has been successful in a field that apparently is entirely new, it will be found that there is a fundamental connection between the new and the old. It was experience in the deep-drawing of steel sheets for automobile bodies that has enabled Briggs to deep-draw steel sheets for basins, bath-tubs and the like.



A Clue in Past Records

Apart from whether the proposed expansion is in a field known to the company, the investor's attitude towards the matter will have to depend largely upon the past record. That is to say, when the company has sought new capital in the past, has it earned a fair return on the addition? There are companies which, by offering their stockholders rights, have constantly demanded of them more money—money which was always put to excellent use. Monsanto Chemical is such a one and any investor which entered the business originally and took up every share of stock offered him would have no cause to regret it. For years, North American levied upon its stockholders in another way: instead of paying out in cash the earnings of the business, dividends were paid in stock and the cash retained for expansion. That this was long justified was attested by the steadily mounting per-share earnings despite the constantly increasing number of shares outstanding. When conditions became such that the rate of return upon the new money declined, the stock dividend policy was abandoned in favor of disbursements in cash.

On the other hand, the mere fact that a company's management has a record of successful expansion in the past and that it is now proposing further expansion in its own field does not necessarily guarantee the success of the latest move. Sometimes it takes a business slump to show in its true light an expansion program which, on its initiation, seemed quite logical. When the big mail order houses started operating stores it seemed a reasonable course in the light of existing events. With the growth and universal use of the automobile, the mail order catalogue began to lose its position in outlying areas, for people came to rely more and more on shopping centers, sometimes driving many miles to a store. Yet, the opening of stores of their own was a costly experiment for the mail order houses and it is only now that many outlets have been closed and that operations are being concentrated upon a different type of store that the expansion is beginning to work out in the interest of stockholders. This illustrates the need of following the fortunes of any major expansion program carefully and with particular reference to the general situation into which it is designed to fit, or into which subsequent events forces it to fit.

Having examined the need for additional capital, it behooves the investor to weigh this need against the terms upon which it is proposed to raise the money. Sometimes additional capital would be desirable, but the state of the money market such that it could only be obtained on onerous terms. Sometimes it is possible to obtain additional capital on terms so favorable that a company is justified in relaxing somewhat the standard by which it would normally judge the merit of expan-

sion. This is not to say that money should be raised merely because it can be raised easily; certainly, however, a corporation will find it easier to make a profit on money borrowed at two per cent than upon money borrowed at six per cent and this is a point that may justifiably be taken into consideration.

In addition to the abstract cost of the new capital, the common stockholder needs to pay attention to the form of security which is to raise it. Let us take a very simple example to illustrate the different effects upon the common stockholder of different methods of raising new money. Suppose the sole capitalization of a company to be 100,000 shares of common and that it is earning $600,000 a year, or $6 a share, all of which is being distributed as dividends. It is decided to raise $10,000,000 of new money by one of two methods. The market is such that $10,000,000 of debenture 4s may be sold at par, or the company can sell 100,000 new shares of common at par. Forgetting the practical matter of time, let it be assumed that the new money is put immediately to profitable use and that it earns as much as the old capital. In this case the company's annual earnings would be $1,200,000 and, had the capital been raised by debentures, there would be $800,000, or $8 a share, available for the common after deducting the debenture interest of $400,000. On the other hand, earnings would still be at the old rate of $6 a share on the doubled capitalization had the new money been raised by stock. Thus, it becomes apparent that it is by no means disadvantageous to the common stockholder to float securities which rank ahead of him as long as the old rate of earnings on the capital employed is well-maintained: indeed, it is to his advantage.

Now, however, let us see what happens when the inevitable business recession arrives. Suppose the company's earnings recede to 2 per cent on the invested capital. In this case, had the new money been raised by the sale of debentures, the profits of $400,000 would be only just sufficient to pay the debenture interest. In contrast to this, had the money been raised by the sale of stock, there would be available profits of $400,000 to divide among 200,000 shares of stock, or the equivalent of $2 a share. Were this paid out in dividends, it would mean that the common stockholder was receiving a return, impossible in the event that debentures ranked ahead of him.

This is, of course, nothing more than the "leverage" factor which is familiar to everyone. It is, however, a question whether a stockholder who has been content with a situation without leverage wants it suddenly thrust upon him. If he is one of those looking for stability of income, he probably would prefer that matters remained as they were. This whole question is so intimately connected with an investor's own financial position that it is impossible to go very far with it. It may be said on general grounds, and from the standpoint of the stockholder, however, that leverage is not desirable in enterprises which lead a "feast-to-a-famine" existence and that in these cases anything which the stockholder might gain in times of good business through having borrowed money on senior securities at a low rate would be more than offset when the famine cycle returns.

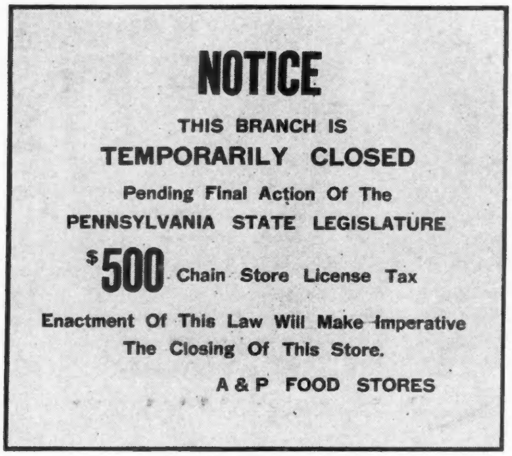
In connection with new (*Please turn to page* 381)

Examples of New Capital Raised This Year

Company	Amount Involved	Securities Sold	Details of offering and disposition of proceeds.
Boeing Airplane	$4,223,030	183,610 shares common	Offered to common stockholders at $23 a share in the ratio of one new share for each three shares held. Proceeds for the repayment of bank loans, for plant and equipment and for additional working capital.
Inland Steel	6,745,500	74,950 shares common	Offered to common stockholders at $90 a share in the ratio of one new share for every twenty held. Proceeds to help defray cost: of important expansion program.
Allied Mills	1,182,500	59,125 shares common	Offered to common stockholders at $20 a share in the ratio of one new share for each fifteen shares held. Proceeds to replace working capital previously absorbed in expansion.
Crane Co	19,280,300	192,803 shares 5% cum. conv. pref.	Offered to common stockholders at $100 a share in the ratio of one new share for each twelve shares held. Proceeds to retire 145,889 shares of 7% preferred and to increase working capital.
Simmons Co	10,000,000	Conv. debenture 4s, 1952	Offered to common stockholders at par in the ratio of 1/57 of $500 debenture for each share held. Proceeds to retire existing debentures and subsidiary bonds and to increase working capital.
Wilson & Co	6,500,000	Conv. debenture 3¾s, 1947	Offered at 101. Proceeds to increase working capital.
Amer. Steel Foundries	7,763,320	194,083 shares common	Offered to common stockholders at $40 a share in the ratio of one share for each five held. Proceeds to retire 7% preferred and to increase working capital.
Bridgeport Brass	2,780,970	185,398 shares common	Offered to common stockholders at $15 a share in the ratio of one share for each four held. Proceeds to finance new rolling mill at Bridgeport.
Mead Corp.	5,000,000	50,000 share $5.50 cum. pref. w. w.	Offered at 99. Proceeds to increase investment in subsidiaries, for extensions and for working capital.
Pennsylvania R. R.	52,670,700	Conv. debenture 3¼s	Common stockholders were given the right to subscribe to $4 of debentures for each share held. Proceeds were principally for electrification.
Panhandle Eastern Pipe Line	24,000,000	Mortgage 4s, 1952	Offered at 97½. Of the proceeds, some $18,000,000 to redeem 6% bonds, the balance for plant construction.
Scott Paper	4,000,000	Conv. debenture 3¼s, 1952	Stockholders were given the right to subscribe to $1,000 in debentures for each 142 shares held. Proceeds to purchase $3,000,000 Brunswick Pulp and Paper bonds, to buy 5,000 shares of that company's stock, to reimburse the treasury for capital expenditures and for other purposes.
Industrial Rayon	4,548,750	151,625 shares common	Offered to common stockholders at $30 a share in the ratio of one share for each four shares held. Proceeds to help defray costs of ambitious expansion program.
Walgreen	10,000,000	100,000 shares 4½% cum. Fref. w. w.	Offered at 101½. Proceeds to retire 6½% preferred and for the purpose of expansion and modernization.
Electric Auto-Lite	10,000,000	Conv. debenture 4s, 1952	Offered at 104½. Of the proceeds, about $5,000,000 to retire old preferred, about $2,000,000 to liquidate bank loans and the balance for working capital.
Johns Manville	10,000,000	100,000 shares common	Offered to stockholders at $100 a share in the ratio of 2/15 of a share for each share held. Proceeds for future expansion and to reimburse treasury for past expansion.
Brooklyn-Manhattan Transit	4,500,000	Coll. Trust 4½s, 1966	Offered at 103½. Proceeds for subsidiary expansion.
Otis Steel	15,000,000	Mortgage 4½, 1962	Offered at 98. Proceeds to retire some $11,000,000 in 6% bonds; some $3,000,000 for expansion and the balance for general corporate purposes.

Is the Era of Chain Store Merchandising Over?

BY GEORGE L. MERTON


NOTICE

THIS BRANCH IS

TEMPORARILY CLOSED

Pending Final Action Of The

PENNSYLVANIA STATE LEGISLATURE

$500 Chain Store License Tax

Enactment Of This Law Will Make Imperative

The Closing Of This Store.

A & P FOOD STORES

The Law was passed

THE future promises to witness considerable change in the technique of chain store merchandising—a change which for the most part will probably reflect the efforts of chain store operators to defend their business against punitive and frankly discriminatory taxes. The increasingly heavy tax burden is not the only problem with which the chains are confronted, but it is certain that it is the most *immediate* concern of the industry, and for the moment at least its other problems appear less pressing. Nevertheless, the chain store industry is confronted with such factors as the Robinson-Patman Act, price maintenance laws, the growth of consumer co-operatives and voluntary retail associations, reduced profit margins and rising overhead. All of which resolves itself into the question of whether the chain store industry has not reached, if it has not passed, the peak of its development.

The chain store industry is founded on its ability to undersell the private retailer and storekeeper, an advantage which was obtained by its more effective buying power and greater efficiency in warehousing, distributing and selling of merchandise. Appealing to the consumer's pocketbook, the chain store system by concentrating on volume was able to shave profit margins and still show sizable earnings in the aggregate. Today it is a form of merchandising encompassing every major retailing field, including meat and grocery stores, oil and gasoline filling stations, variety stores carrying limited price merchandise, department stores, mail order houses, clothing and shoe stores, restaurants, cigar stores and drug stores.

According to the Census Bureau, the chain store system has attained its greatest impetus in the grocery and combination grocery and meat fields, the number of chain units totalling about 48,300 at the end of 1935. During the depression leading chain store operators closed a number of unprofitable units, so that it is probable that the most recent figure does not reflect the peak size of this division. Although grocery chains were outnumbered about 7 to 1 by independent stores, they accounted for nearly 40 per cent of total sales in 1935, irrefutable evidence that much of their growth has been made at the expense of the independent storekeeper. Therein lies the core of the grocery chain's major problem—punitive taxes inspired by the successful lobbying of independent stores.

The voluble protests of the independent grocer against the chain store invasion have been heard throughout the length and breadth of the land for many years. In support of their grievances, they marshalled an imposing list of abuses, accusing the chain stores of employing such methods as loss-leaders, secret discounts and various other practices, even appealing to the civic pride of their former customers, urging them not to patronize the alien chain store in their midst, which contributed nothing to the town and siphoned their money out to the main office many miles away. Granted that some of the complaints of the independent grocer were not without grounds, consumers did not let their sympathies stand in the way when they filled their market baskets on Saturday morning—at the chain store, where prices were lower. Obviously the chain store would never have attained its present stature without public support, and it may yet be found that John Q. Public is the strongest ally which the chains can muster in their defense.

During the past several years the private storekeeper has been increasingly successful in finding sympathetic listeners in state and national legislative bodies, particularly in the South and North Central States, while the enactment of the Robinson-Patman Bill in Congress last year was hailed by the independent merchants as a signal triumph. The enactment of tax programs,

Courtesy Super-Market Publishing Co.

The Crystal Market in San Francisco, which occupies 68,000 sq. ft. of space.

however, has been the most popular form of reprisal against the chains. Such tax legislation is not designed as a revenue-raising measure but is frankly intended to nullify the advantages of the chain over the independent. In fact in several instances, chain store tax legislation was endowed with the fervent hope that it might even be successful in driving the chains out of business.

It is quite unlikely that the chains will be driven out of business, but it is going to be necessary for them to revise their methods, at least, to survive under the more drastic tax measures. Typical of the more radical type of tax legislation, was that enacted by the State of Louisiana and recently validated by the U. S. Supreme Court. Drafted by the late Huey P. Long as a deliberate tax on "big business," this legislation differs from other chain store levies in one vital particular. The rate of tax is based on the number of stores in the entire chain, *not* the number of stores in Louisiana, which is the method used by other states.

Although the Great Atlantic & Pacific Tea Co., the largest grocery chain in the United States, has only 106 stores in Louisiana, the company will be taxed on the basis of more than 15,000 stores, comprising its entire system. Instead, therefore, of being subject to a tax of \$50 a store, figured on the basis of only the Louisiana units, the company will have to pay the maximum of \$550 per store. Aside from the broader social and economic consequences implied by the Supreme Court's ruling on this law, it appears virtually certain that similar laws will be introduced in other state legislatures.

Pennsylvania is the most recent addition to the list of States imposing chain store taxes. The defense waged by the chains in Pennsylvania was so effective that the passage of the bill was made possible only through the political influence of Governor Earle. The Pennsylvania tax is a graduated one from \$1 to \$500, based on the number of stores operated by a chain in the state. For several of the larger chains the Pennsylvania tax will be greater in the aggregate than that imposed by Louisiana. Until recently, the Great Atlantic & Pacific Tea Co., for example, with 2,100 stores in Pennsylvania would have had to pay a tax of more than \$1,000,000 annually. American Stores, with a heavy concentration of units in Pennsylvania, would also have been a heavy sufferer.

Following the enactment of the tax, however, both A. & P. and American Stores promptly closed a sizable number of units. (A. & P. closed 90 units and is understood to be considering the closing of 600 others; American Stores closed 72 stores and may close as many as 200 more.) It is by no means to be construed that this action of two large grocery chains was merely "cutting off their nose to spite their face." A tax of \$500 a store is about 40 per cent of the average annual profit per unit, with many showing less than the average. It is safe to assume, therefore, that closed units would have shown little or no profit after paying their tax.

The score, as this is written, shows that 22 states have enacted chain store tax legislation, while in 6 others chain store tax legislation is pending. Not a very pleasant prospect for the chains to contemplate. Yet there are signs that the flood tide of discriminatory legislation may be close at hand. The public appears to be slowly awakening to the fact that they along with the chain stores will have to shoulder losses, while the defensive tactics now being employed by the chains may be considerably more effective.

Last year the voters in California in a popular referendum decisively rejected a chain store tax. In Maine, the chain store tax enacted in 1933 was repealed this year and following the invalidation of chain store legislation in Arizona, New Mexico and Vermont new measures were not enacted.

Credit for a large part of this public reaction against chain store legislation may be given to the efforts of the National Association of Food Chains in enlisting the services of their members to aid farmers and food growers to move surplus supplies. Selling campaigns, conducted in some instances out of season, by chain stores were effective in cleaning up the over-supply of beef, lamb, turkeys, potatoes, peaches, pears, apples and citrus fruits at profitable prices, thereby winning the invaluable good will of many farmers. It is believed that this service rendered by the chains was in a large

measure responsible for their legislative victories in Florida, California, and Maine.

Compelled to eliminate many of the smaller units in their system, chain groups have two alternatives, either of which would enable them to retain their advantage of mass buying power. First, would be to supplant closed units by a single supermarket, and, second, serving independent storekeepers, including former managers of chain units, in a wholesale capacity, much the same as many of the oil companies are now doing with manager-owned filling stations.

The Growth of Supermarkets

The supermarket is a product of the depression, having entered the retailing lists in competition with both the chain and independent food stores. From the fact that only two years ago there were less than 100 supermarkets, whereas today there are some 2,000, it may be deduced that they have achieved a considerable measure of competitive success. Like the chain store, the supermarket emphasizes low prices—lower prices in fact than the chain store—made possible by mass buying power plus a practical minimum of expense for overhead. The supermarket is usually located on the outskirts of a city or in a section where rentals are low and ample space available. Parking space is provided, piles of merchandise are stacked within easy reach of the customer, prices are plainly marked and the customer with a large basket or similar receptacle provided by the market serves himself and pays his bill at the cashier's desk as he leaves. These supermarkets spend very little for fixtures or other facilities, customer service is practically non-existent, aside from parking facilities, and only a comparatively small amount of working capital is required. As a result they are able to undersell even the most efficient chains, from 8 to 10 per cent. Customers are drawn from as large a radius as fifty miles and the business volume in a single supermarket runs from 30 to 100 times that of a single chain store. Lately there has been a tendency toward more pretentious housing for these supermarkets but the fundamental idea of concentrating a large quantity and variety of merchandise in a single unit continues to be essentially the same.

Several chain store systems, quick to recognize the possibilities in the supermarket, are already well established in this new field. Safeway Stores has supplanted more than 250 of its smaller stores with supermarket units; A. & P. is reported to be operating close to 100 units of the supermarket type; and H. C. Bohack has opened eight supermarkets, including the largest one in the East. This trend appears certain to be accelerated in the months ahead. *(Please turn to page* 387)

States Levying Chain Store Taxes

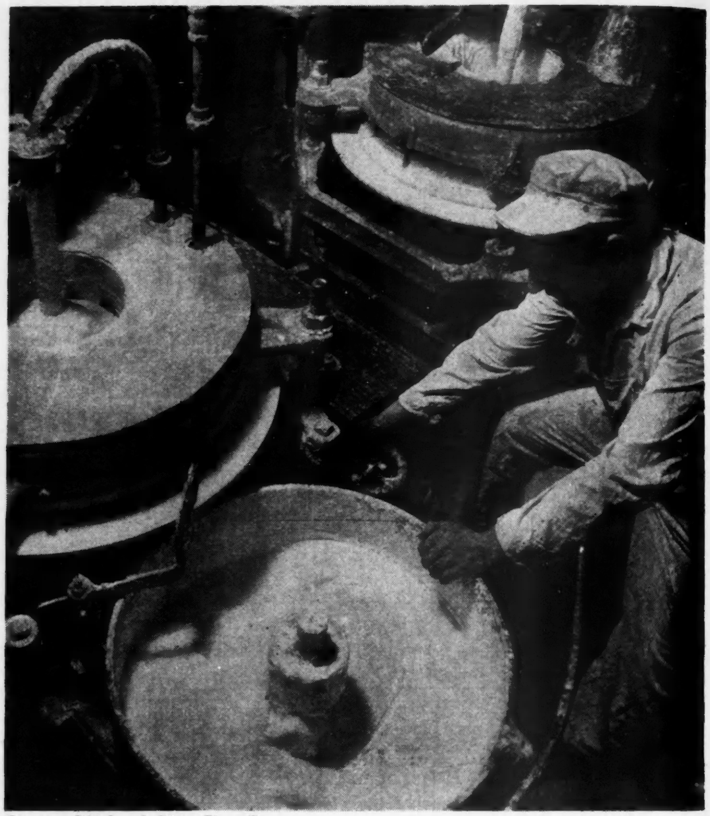
STATE	TAX
Alabama	Graduated scale from $1 to $112.50 for each additional store over 20.
Colorado	Graduated scale from $2 to $300 for each additional store over 24.
Florida	Graduated scale from $10 to $400 for each additional store over 15.
Georgia	$200 on each unit on chains of more than 40 units.
Idaho	Graduated scale from $5 to $500 for each store over 19.
Indiana	Graduated scale from $3 to $150 for each store over 20.
Iowa	Graduated scale from $5 to $155 for each store over 50.
Kentucky	Graduated scale from $2 to $300 for each store over 50.
Louisiana	Graduated scale from $10 to $550 for each store in state and based on stores in entire system.
Maryland	Graduated scale from $5 to $150 for each store over 20.
Michigan	Graduated scale from $10 to $250 for each store over 25. Also $10 for each counter over 1 up to $25 for each counter over 25.
Minnesota	Graduated scale from $5 to $155 for each store over 50. Also taxes gross sales of chains.
Mississippi	Graduated scale from $3 to $300 for each store over 40.
Montana	Graduated scale from $2.50 to $30 for each store over 10.
North Carolina	Graduated scale from $50 to $225 for each store over 201.
Pennsylvania	$1 on a single store to $500 on each store if total stores are more than 500.
South Carolina	Graduated scale from $5 to $150 for each store over 30.
South Dakota	License up to $10 for 10 or more stores. Also taxes gross sales.
Tennessee	15 cents for each $100 of average capital invested.
Texas	Graduated scale from $1 to $750 for each store over 50.
West Virginia	Graduated scale from $2 to $250 for each store over 75.
Wisconsin	Graduated scale from $25 to $250 for each store over 25.

Leading Chains Paying Chain Store Taxes

CHAIN SYSTEM	PRINCIPALLY AFFECTED BY CHAIN STORE TAX LAWS OF
American Stores	Pennsylvania, Maryland and West Virginia.
First National Stores	Does not operate in states currently levying chain store taxes.
Grand Union	Pennsylvania.
W. T. Grant	Alabama, Florida, Pennsylvania, Texas, North Carolina, Michigan.
Jewel Tea	None—(Mostly wagon and truck routes).
S. S. Kresge	Pennsylvania, Indiana, Michigan, Iowa.
Kroger Grocery	Pennsylvania, West Virginia, Indiana, Michigan, Wisconsin, Tennessee, Kentucky.
Montgomery Ward	Indiana, Iowa, Michigan, Pennsylvania, Texas.
National Tea	Minnesota, Wisconsin, Michigan, Indiana, Iowa.
J. J. Newberry	Kentucky, Pennsylvania, Michigan.
J. C. Penney	Colorado, Indiana, Iowa, Kentucky, Michigan, Minnesota, Montana, Pennsylvania, Texas, Tennessee.
Safeway Stores	Texas, Colorado, Montana, Idaho.
Sears, Roebuck	Pennsylvania, Texas, Indiana, Michigan.
Woolworth	Indiana, Michigan, Iowa, Pennsylvania, Texas, Wisconsin.

Prospects Favor Paint Companies

BY T. S. ALEXANDER



Courtesy Pittsburgh Plate Glass Co.

Preparing a batch of paint in The Pittsburgh Plate Glass Co.'s plant.

The world would be a drab place were it not for paint. Man hardly makes a thing that he does not finish off and brighten up with paint. Yet, the usefulness of a colored surface covering does not lie primarily in its decorative qualities, for paint is the world's great preserver. It protects iron and steel from rust and wood from weathering. Without it the world would not only be a drab place, but a place entirely different from the one we know. There probably would be none of these huge suspension bridges that so gracefully span our waters. Were paint unknown, they would have to be made of stainless steel and this would cost so much that even the richest country in the world would think long and hard before it undertook a Golden Gate or George Washington bridge. Would there be a "Queen Mary" or a "Normandie" if ships' hulls were made of bronze; would all of us who now own automobiles possess them if their bodies were made of aluminum?

While paint is cheap compared with the sum it saves, taken by itself the country's paint bill is up among the larger items of annual expense. It varies, of course, from year to year, being considerably larger in good times than in times of poor business. However, a normal annual paint bill for the United States probably is well over half-a-billion dollars. Although there are scores, if not hundreds of paint manufacturers, by far the greater part of this huge sum enters the coffers of a mere handful of prominent companies.

It should be realized that the word "paint" today takes in a great deal more territory than it did only a few years ago. At one time lead and zinc pigments, with linseed oil as the vehicle, comprised the greater part of the field; the best varnishes, of course, were made from the natural gum. The lacquer paints as typified by Duco may be said to be the first of the modern paint materials of wide application. Apart from their new qualities as a finish, these quick drying coverings greatly shortened the time that had previously been allowed for paint to set and, in this way, effected a sharp reduction in the cost of automobiles among other things. The lacquers now have a rival in the new plastic finishes which are being used by a manufacturer no less important than Henry Ford.

Coinciding with the revolution that is taking place in pigments, another equally important is taking place in vehicles. Linseed oil has long been, and still is, the greatest paint vehicle. It was, however, the butanol which du Pont bought from Commercial Solvents that made "Duco" possible and today there are all kinds of different chemical vehicles. Nor are natural vehicles other than linseed oil being neglected. The demand on the part of paint makers for perilla, soy bean and tung oil is showing an amazing increase.

Because of all the additional territory now taken in by the paint industry, there are naturally a larger number of companies with a stake in the field. The most important of these will be found in the accompanying table with a brief explanation of where their interest in the paint industry lies. Unfortunately for the investor who likes to have his commitments unadulterated, it will be found almost without exception that the largest manufacturers of finishes have other interests which overshadow their stake in painting materials. In these cases it is, of course, necessary for anyone contemplat-

ing participation in the paint business to appraise the prospects of every important activity in which the company engages.

As soon as the country began to emerge from the depths of depression the demand for paints began to pick up and, except for minor set-backs, the improvement has been a continuing one. It makes for a better perspective to look upon the demand for paints as coming from two general sources. There is first of all the demand for finishes which arises from a larger number of products entering into consumption. For example, all the new automobiles which have been such a feature of the present recovery were dazzlingly painted before their new owners took delivery of them. Likewise the greater demand for furniture, refrigerators and the thousand and one things that the nation buys when general business begins to pick up, greatly enhanced the need for paints, varnishes and enamels.

The second great source of paint demand is that which arises from repainting old surfaces. This is very flexible: a man, for example, who repaints his frame house every three years during good times may wait four years, or five years before he repaints during a time of depression. It is the same everywhere; even normally strong corporations will defer their painting maintenance up to a point when business becomes slack.

There is no reason to suppose that a full measure of recovery has been seen as yet. The present labor situation is a cause of worry, of course. There are menacing clouds abroad. Also, it is possible that certain individual lines will find it hard to progress much above the present point—for example, the percentage gains made by the automobile industry may well be somewhat unimpressive for the next year or two. Despite all this, however, the weight of the evidence is strongly in favor of further business recovery and further gains in public purchasing power. This means an enlarged market for paints and finishes of all kinds. Because of the indications that the building industry is among those which has furthest to go, the demand for that type of paint usually applied to buildings may well register especially large gains. For the outside of wooden structures, white lead continues to maintain a strongly entrenched position. For interiors, new style finishes will rival the old, but the coming market should be broad enough for all to make gains.

It is never easy to gauge the effective extent of even an obvious demand. Unquestionably, however, paint sales are going to be very large over the next year or two. The only doubtful point is whether paint manufacturers can translate such increased sales into larger profits. Without exception the principal raw materials used in paints have increased greatly in cost: selling prices have not been raised proportionately. Apart from this one point, it would be hard to find an industry whose prospects are brighter than that of paint.

Prominent Companies Identified With Paint

Name	Earned Per Share 1936	1st qtr. 1936	1st qtr. 1937	Recent Price	COMMENT
Aluminum Co. of America	$8.65	NF	NF	$142	Aluminum powder is obviously not the most important product of a company which monopolizes the production of virgin aluminum. The paint derived from it, however, is fast growing in favor as a protective coating. Unfortunately, the latest Government suit clouds the stock's prospects.
Archer-Daniels-Midland	3.05a	1.93b	3.07b	40	Company is the most important factor in linseed oil. Also manufactures soybean and other vegetable paint oils. A subsidiary operates flour mills. The improved earnings should be sustained.
Devoe & Raynolds "A"	4.49c	NF	NF	55	One of the few important companies engaged exclusively in the paint and varnish business. Old-established, and the past record is one of general success. Principal trade-names are "Devoe," "Bay State" and "Pee Gee." Should continue to do well.
Du Pont de Nemours	7.53	1.18	1.30	152	Finishes are but a part of this huge enterprise. Company's "Duco," introduced shortly after the War, was the first of the modern enamels. Marine finishes under the name "Dulux" are becoming increasingly popular. The line of paints, varnishes and enamels is an unusually complete one. All important divisions of the company doing well: big stake in General Motors represents only uncertainty.
Glidden Co.	3.29e	0.80d	1.82d	43	Business is divided almost equally between paints and food products. The paint division is comprehensive and comprises both new style and old style lines. Company's earnings should be well sustained.
Grand Rapids Varnish	1.50	NF	NF	14	One of the smaller units in the paint, varnish and enamel industry. Except that it is a jobber in wall-paper, brushes and the like, activities are confined to the main business of the company. Common stock appears to be a moderately attractive speculation.
Kellogg (Spencer)	2.62g	1.17f	1.41f	[illegible]1	Concern is a vegetable oil company. It refines linseed, soybean and other vegetable oils which find their greatest outlet in the paint industry. Company is a large importer of tung oil. Sustained earning power is anticipated.
National Lead	1.71	NF	NF	31	Company makes practically everything of which lead is the raw material. This includes white lead and red lead. Also makes colors, linseed oil and flatting oils. A comparatively new development has been the exploitation of titanium oxide which has certain advantages over white lead. Internationally known trade name: "Dutch Boy." Stock is highly regarded.
New Jersey Zinc	2.67	0.55	1.10	76	The company that never published a balance sheet. Mines and manufactures zinc. Zinc oxide and lithopone are important painters' materials. A high grade common stock.
Pratt & Lambert	2.35	NF	NF	[illegible]1	Old-established paint, varnish and enamel business. The company's trade-names "61," "Effecto," "Vitralite" and others are widely and favorably known. Conservative issue.
Pittsburgh Plate Glass	7.15	NF	NF	124	Company is primarily a manufacturer of glass in various forms. However, its paint, varnish and enamel business is new style and extensive. "Mimax" is a pyroxylin lacquer for automobiles: "Wallhide" is an interior wall paint: "Carhide" is applicable to freight cars: while "Metalhide" was developed for spray application on steel structures. Increasing demand for all products favors outlook.
Sherwin-Williams	8.04g	NF	NF	120	This is the largest company engaged exclusively in making paint or products closely allied to paint. It is a completely integrated unit, owning and operating its own metal mines, its own linseed oil plant and its own container plant. Products long advertised to "cover the earth." The stock is high grade.
Valspar Corp.	....	def h	0.19h	6	Formed within the past few years as a consolidation of several small, but well-known units. "Valspar" varnishes for every purpose have become exceptionally familiar because of extensive advertising. Doing better, but still speculative.

NF—Not available. a—Year to June 30. b—Nine months to March 31. c—Year to Nov. 30. d—Six months to April 30. e—Year to Oct. 31. f—24 weeks to Feb. [illegible] g—Year to Aug. 29. h—Year to Feb. 28.

Stocks Which Resisted Decline Appraised

Opportunities for Investment and Speculation, Favored by Using Earnings

BY STANLEY DEVLIN

SINCE the high point reached early in March this year, the stock market had by the middle of June declined about 23%, as measured by THE MAGAZINE OF WALL STREET Common Stock Price Index. Notwithstanding the extent and breadth of this reaction, there is a fairly large group of stocks which have performed better than the market as a whole, offering strong resistance to the downward trend. For the most part it is possible to assign definite reasons, carrying favorable implications, for this action. Sustained earnings, better-than-average prospects and the promise of higher dividends in each instance have doubtless restrained selling on the part of holders, and have brought in new buying as investors have switched from issues less favorably situated. Accompanying this discussion is a list of such issues, from which six have been singled out for more detailed analysis. All of them offer the investor a choice of commitments ranging in quality from the more speculative issues for price appreciation to conservative mediums for income.

Houston Oil Co. of Texas

Established as one of the largest producers and distributors of natural gas, Houston Oil Co. of Texas has materially enlarged its stake in the oil industry in recent years. Thus, on the one hand recent earnings of the company have responded to the rising demand for natural gas as general conditions improved in the company's territory and, on the other, to the increased consumption of petroleum products and the higher prices for crude oil currently in effect.

In the first quarter of the current year net profits of Houston Oil after interest, taxes, depreciation and depletion, amounted to $469,366 or the equivalent of 80 cents per share on the outstanding common stock. In the same months of 1936, profits amounted to only $134,925 or 37 cents a share on the 357,904 shares of 6% preferred stock. Profits for the twelve months to March 31, last, were equal to 27 cents per share of common as against 19 cents a share earned in the twelve months to March 31, 1936.

In addition to the ownership of large natural gas fields in Southwestern Texas, the company has acquired substantial oil acreage in various fields throughout the mid-continent area. Large acreages of lands acquired some years ago for their timber, are gradually being sold. A subsidiary, Houston Pipe Line Company, operates a pipe line system of some 775 miles, serving Houston, Galveston and various other communities. A substantial portion of the natural gas production is sold to large industrial consumers, with the result that earnings tend to fluctuate rather sharply between good years and bad. Since 1932, however, consumption of natural gas has risen steadily and seems likely to continue to do so for some months to come.

At the end of last year, there were outstanding $8,098,000 5½% bonds due 1940; 357,904 shares (par $25) of 6% preferred stock and 1,098,618 shares of common. A sharp drop in earnings compelled the company in 1932 to omit dividends on the preferred shares and accumulations now amount to $8.62½ per share, or something over $3,300,000. The presence of accumulated dividends on the senior shares, obviously constitutes a considerable obstacle in the path of dividend payments on the common stock. Probabilities are also that the management is desirous of further reducing the company's funded debt and, while financial position at the end of last year was comfortable, it is to be doubted that any plan will be devised for the liquidation of preferred dividends in the early future. Given the benefit, however, of further sustained improvement in earnings, the company should experience no difficulty in formulating an acceptable plan to take care of back dividends on the senior shares. Frankly speculative, the common stock, nevertheless, would appear to possess interesting possibilities for price appreciation, among lower priced issues. Prevailing quotations around 15 compare with the 1936 high of 17⅝ and with the benefit of a further upturn in earnings in subsequent quarters

a quite reasonable expectation, important price appreciation may be witnessed.

Goodyear Tire & Rubber Co.

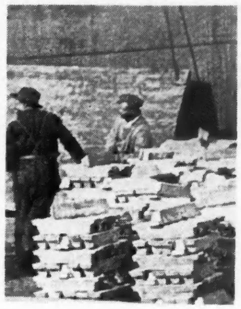
The pronounced impetus imparted to the earnings of Goodyear Tire & Rubber Co. by the greater degree of stability in the rubber tire industry, rising tire prices and increasing demand last year, has carried over into the current year and estimates place earnings for the first six months at better than \$3 a share on the common stock. This will compare with 62 cents a share in the corresponding period of 1936. Earlier this year common shareholders received a dividend of 50 cents a share, the first since 1932, and another payment of the same amount was recently made.

Goodyear Tire & Rubber Co. is an important factor in all of the major phases of the rubber industry and products include, in addition to tires and tubes, rubber footwear and a widely diversified line of mechanical rubber goods. A subsidiary, the Goodyear Rubber Plantations, controls 94,000 acres of rubber land in Sumatra and the Philippines. Other subsidiaries are engaged in cotton growing and the manufacture of tire fabrics. About 75% of the company's business volume is represented by tires and tubes of which about 40% is sold to automobile manufacturers for original equipment.

Last year the company refunded its old \$7 preferred stock with a new 5% issue and 1/3 share of common. A dividend of \$14.75 a share paid earlier this year discharged all accumulated dividends on the old \$7 preferred. Giving effect to these capital changes, there were outstanding at the end of last year, in addition to funded debt of \$52,549,500 of 5% bonds, 638,322 shares of \$5 convertible preferred and 114,532 shares of \$7 preferred. Since then, \$5 preferred stock has been increased to 726,916 shares and the balance of 32,803 shares of \$7 preferred has been called for redemption on July 1st. Common stock outstanding at the close of 1936 amounted to 1,753,175 shares, and since increased by some 27,000 shares by conversion of the old \$7 preferred. Net current assets at the close of the past year were \$105,664,182 or better than thirteen times current liabilities. More than two-thirds of current assets were in the form of inventories.

Despite heavy inventory losses during the depression, in the six years ended with 1936, the total deficit was less than \$1,000,000. Last year the net profit of \$10,831,032 was up 98% over the 1935 showing and after payment of nearly \$5,000,000 in preferred dividends, was equal to \$3.90 a share on the common stock, as compared with 12 cents a share on the common in 1935. The company's margin of profit last year of nearly 6% was the highest since 1929, while sales, with a gain of 13% over 1935, were the best since 1930.

Recently quoted around 38, the shares of Goodyear Tire & Rubber common stock are about midway between their 1937 high and low. While the company's prospects are somewhat less assured in the last half of the year than they were in the first six months, results for the full year appear likely to record an important gain over 1936. On this basis, the shares are attractively priced and speculative commitments made with a view to holding over the next several months should prove profitable.



St. Joseph Lead Co.

St. Joseph Lead Co. is the largest domestic producer of lead, its properties, located in the Missouri Lead Belt, being capable of producing about 180,000 tons of lead at capacity. Property acquisitions in recent years have enlarged the company's scope moderately to include zinc, cadnium, gold and silver. Primarily, however, lead mining is the company's dominant activity and of total sales last year, some 70% was contributed by lead. Although the ore content of the company's properties is low grade, the ore is exceptionally pure, permitting the company to produce about 95% of the chemical lead used in the United States. The latter product commands a premium of \$1 a ton. Moreover, the company enjoys the competitive advantage of having its properties located in closer proximity to the important New York and Chicago markets.

The company is noted for the conservative financial policies which have been pursued by its management and had it not been for the severe restrictions in demand for lead during the depression, upon which were superimposed drastically lower prices, it is safe to assume that the company would not have found it necessary to break the record of dividend payments to common stockholders which had been maintained over a span of forty-five years.

Last year, reflecting increasing demand and higher prices, and the profitable liquidation of inventories, the company's earnings rose sharply and net income of \$2,511,000, compared with \$486,200 in 1935 and a loss of \$812,500 in 1934. It should be pointed out, however, in connection with the improved earnings, that depletion reserves have been reduced about two-thirds in the past two years in line with a revision in accounting policies. Applied to the 1,955,679 shares of capital stock, earnings last year were equivalent to \$1.28 per share as compared with 25 cents a share earned in 1935. Accompanying better earnings, finances have also improved. Of total assets of some \$32,500,000 at the end of last year, over \$12,000,000, including \$1,835,607 in cash, were current. Current liabilities amounted to \$1,867,220 at the end of the year. A sizable reduction was effected in inventories. On June 1st, last, the company retired the remainder of its 10-year 4% notes and during 1936, retired \$2,500,000 of bank loans. As a consequence, the capital stock now represents the entire equity.

Interim earnings reports are not available, but earlier this year it was officially stated that profits were running encouragingly ahead of last year. Lead and zinc

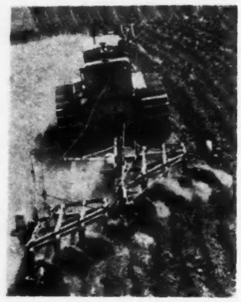
prices have receded somewhat from their previous high levels earlier in the year but prevailing prices of around 6 cents a pound, coupled with sustained demand, should assure the company of wholly satisfactory operations. Dividends of 50 cents a share quarterly have been paid this year and were recently augmented by an extra of 50 cents, further substantiating the rising trend of earnings. Recently selling at 55, the shares of St. Joseph Lead are a promising candidate both for income and eventual price appreciation.

American Chicle Co.

The nature of American Chicle's business is admittedly such that earnings gains from this point on may be comparatively moderate. On the other hand, the shares are backed by an outstanding record of sustained earning power and generous dividends, two elements which should appeal strongly to many investors.

The American Chicle Co. manufactures chewing gum and allied products. These include Adams Chiclets, Dentyne Gum, Beeman's Pepsin Gum, Adams Black Jack and Sen-Sen breathlets, all of which are extensively advertised. Wide distribution is obtained through jobbers, hundreds of thousands of retail outlets, slot machines, etc. By manufacturing and selling a popular product costing the consumer but little more than a nominal sum, earnings of American Chicle were only slightly affected by the depression. In 1932, at the depth of the depression, the company was able to show the equivalent of $3.76 a share earned on outstanding capital stock and during the period from 1925 to 1936 inclusive, earnings averaged slightly over $5 a share. In 1935, and again last year, profits established a new high record. Dividends have been paid without interruption since 1925, the total last year, including extras, amounting to $6.50 a share. Thus far this year, payments have been maintained at the rate of $1 quarterly, in addition to which a special dividend of $1 was paid on June 15, last.

Last year, net profits totalled $3,032,228, equivalent after depreciation, income taxes and $67,492 for surtax and undistributed profits, to $6.89 a share on the 440,000 shares of stock which comprise the company's entire capitalization. In 1934, net of $2,642,327 was equal to $5.94 a share. A further gain in earnings was recorded in the intial quarter of the current year, net amounting to $1.79 per share, as against $1.52 per share earned in the first three months of 1936. Financial condition is excellent, and at the end of last year cash and marketable securities alone were more than four times current liabilities. Under the circumstances, the expectation of further extra dividends this year appears to be well founded. Currently quoted around 101, to yield about 4% or better, the shares would appear to have much in their favor as a more conservative type of equity investment.



Deere & Co.

The demand, both current and potential, for farm equipment and agricultural machinery is one of the brightest spots in the industrial picture at this time. Farm income, the prime factor influencing the trend in the agricultural equipment industry, has risen substantially during the past several years and in the first four months of this year, total cash farm income, including Government payments, was the highest in seven years.

Deere & Co. is the second largest manufacturer of farm equipment and is the largest producer of plows and tractors. The extent to which the company has benefited through the increased purchasing power of the farmer was substantially reflected in the showing in 1936. Sales increased 40% and net income of $11,601,306 compared with $6,105,452 in 1935. Earnings available for the 1,005,000 shares of common stock outstanding last year were equal to $9.42 a share, as compared with $3.93 a share earned in the previous year. The company's accounting methods are ultra-conservative, and the foregoing earnings are stated after substantial reserves were allotted to receivables and inventories. Including cash of about $4,000,000 current assets showed a ratio to current liabilities of 7.3 to 1 at the end of 1936. During the past year, some $10,300,000 was added to the company's receivables, with the result that this item represented about two-thirds of total current assets. With such a large proportion of its liquid working capital tied up in receivables, the company is rather handicapped in adjusting its dividend policy to conform with the vigorous improvement in earnings. Last year, inasmuch as the fiscal year ended October 31, the company was not liable for the surplus profits tax. This year, however, with earnings continuing to rise, Deere & Co. is confronted with the problem of either paying a substantial tax or borrowing sufficient money against receivables to make a fairly generous payment to common shareholders.

In addition to the common stock there are outstanding 1,550,000 shares of preferred stock ($20 par) on which accumulated dividends now amount to $1 a share. Over the past year, ac- (*Please turn to page 392*)

Suggestions Among Stocks Which Did Better Than the General Market in Recent Decline

*Deere & Co.	Socony-Vacuum
Caterpillar Tractor	Celanese
*St. Joseph Lead	*Goodyear
Continental Oil	*United Carbon
Ohio Oil	Eastman Kodak
*Houston Oil	Am. Chain & Cable
Plymouth Oil	*Am. Chicle
American Telephone	

* See text.

NILES-BEMENT-POND CO.

Earnings Point Higher

New Orders for Labor-Saving Machinery Should Come from Strike Difficulties

BY EDWIN A. BARNES

While for many industries the records which they made in 1929 still remain something to shoot at, the machine tool industry has already equalled and bettered its pre-depression showing. The index of machine tool orders, compiled by the National Machine Tool Builders Association, attained a new peak as early as last December. In April of this year, however, the index rose 10 per cent above the December level to 282.5. Reflecting principally a drop in new orders from industries suffering from labor troubles, the May index dropped to 208.5 but total orders in the first five months of this year are 86 per cent ahead of last year, providing a substantial backlog and assuring sustained activity for the industry for several months to come.

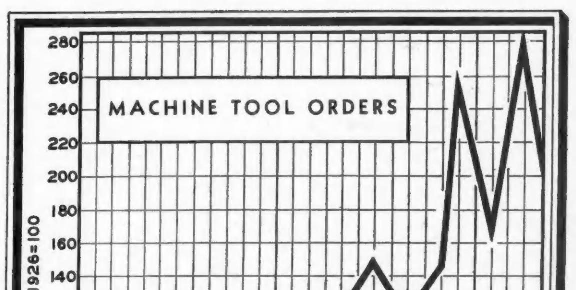
Continued industrial disruptions due to strikes would doubtless curb the demand for new machine tools but at the same time they would also have the effect of further emphasizing the necessity of equipping plants with the most modern and efficient labor-saving machinery. Faced with a rising trend of production costs, plant managers are not overlooking the money-saving possibilities offered by up-to-date machine equipment. Although the machine tool industry felt the full force of the depression, research activities were continued without interruption. Many new devices were developed and old ones were improved. As a result, the industry is now in a position to put forth some rather convincing sales arguments.

Long established as one of the prominent manufacturers of machine tools, Niles-Bement-Pond Co., has made vigorous strides during the past two years and earnings have recovered to a point where the possibility that current profits may approach, if not exceed, the 1929 level is not unlikely. Essentially, of course, the machine tool industry is of a "feast and famine" character, a condition which imparts considerable speculative flavor to the stocks of representative companies. In the present setting, however, the promise of rising earnings appears sufficiently assured, particularly so in the case of Niles-Bement-Pond, to warrant favorable consideration for the shares.

The products of Niles-Bement-Pond and its subsidiaries include a diversified line of small tools such as taps, dies, reamers, and cutters, precision machinery and gauges. The company produces specialized machine equipment used by the automobile, railroad and electrical equipment industries. In addition the company manufactures Diesel engines and a line of cranes and hoists. The business volume is about equally divided between the light and heavy equipment. While domestic demand contributes the major outlet, export business is quite sizable and has been particularly active during the past year or more, reflecting principally rearmament on the part of large European countries.

During the depression, the company's experience was typical of that of the machine tool industry as a whole and losses were shown in the years 1931 to 1933 inclusive. These losses aggregated about $1,200,000 which the company's adequate finances enabled it to absorb without difficulty. In 1933, the company showed a modest profit, $25,485. Since then earnings have risen with increasing vigor. Net of $266,193 in 1935 was equal to $1.55 a share on the outstanding capital stock, while last year the profit of $699,360 was equivalent to $4.04 a share. The company has issued no interim reports covering current operations but the probabilities are that profits are running well ahead of last year. For the full year, earnings may amount to $6 a share or better, which would compare with $6.63 a share earned back in 1929.

At the end of last year (*Please turn to page* 391)



For Profit and Income

The Railroad Wage Negotiations

Although the railroads have unquestionably participated in the recovery of the past few years, they have by no means attained a full measure of prosperity. So hard hit were they by the depression that their first efforts have been to rehabilitate the property. They have been hampered in this by increased costs and taxes. While both Federal and State Governments have re-enacted "emergency" taxes on the grounds that the emergency still exists, the roads were deprived of the emergency surcharges. Now, the railway brotherhoods ask a 20% increase in wages and, their demands not being granted, they have voted unanimously to take a strike vote. It is estimated that a 20% increase in wages would cost the railroads nearly $400,000,000 annually. This is about seven times what the roads hope to receive in the event that the Interstate Commerce Commission grants the plea which it has pending for higher rates on a list of selected commodities. A decision on the rate petition is not expected before late summer, but the results of the strike ballot will be known sooner than this. It is logically assumed that recovery has further to go and in this event there will be a further increase in railroad freight. From the standpoint of most railroad stockholders and not a few holders of railroad bonds, however, it seems that their hopes of large gains in income must necessarily be tempered by some increase in operating costs. It is the realization that costs apparently inevitably trend higher that has brought about the recent downward revision in railroad security prices.

Masonite

Selling at $50 a share, as it is currently, the common stock of the Masonite Corp. is $24 a share below the high of the year. After a decline such as this it may well be that a stock is again at an attractive buying level. In the case of Masonite, the fundamental situation appears to be as good as it ever was. For the forty weeks to June 5, last, the company reported net income of $1,318,081, compared with $927,948 for the corresponding previous period. The latest figure was equivalent to $2.29 a share on each of the 536,702 shares of common stock outstanding. The demand for Masonite's "Presdwood," "Temprtile," "Quarterboard" and other products made by a patented process from mill waste and second-grade lumber is still dynamic. The outlook for any products in such a position is a good one, but when on top of this there is a broadening demand because of the upward surge of business recovery the outlook becomes bright indeed. Coupled with the dynamic demand that is always possessed by a new and improved product, Masonite can count on the demand that will arise as a result of greater activity in construction.

New Capital Flotations Revive

Since January when the bond market first began to decline, conditions have not been satisfactory for new financing and many issues have been held off the market. There are now indications, however, that investment demand was only glutted temporarily and that the huge sums of money seeking an outlet have begun to reassert themselves. Brought out at par the $25,000,000 of New York Telephone 3¼s quickly went to a premium: the $4.50 preferred of Standard Brands also went over well: and at this writing there is every reason to believe that the $20,000,000 offering of the Buffalo Niagara Electric Corp. was given a good reception. These developments are reassuring and it might be well for those with money to invest not to wait longer. Investment issues in both the bond and stock markets are currently well below their best levels and can probably be bought at this point without serious danger of further decline.

A Coming Debut on the New York Stock Exchange

Formed as a consolidation of three North Carolina textile companies, the stock of the Burlington Mills Corp. has been admitted to the "Big Board" and it is expected that trading will commence shortly. The new company is a producer of rayon fabrics and last year its predecessors bought about 11% of all the rayon yarns purchased by the weaving trade. Earnings last year were equivalent to $1.76 a share of com-

mon on the present capitalization. In the first quarter of this year, earnings were equivalent to 90 cents a share, compared with 37 cents a share in the first quarter of 1936. The outstanding capitalization consists of 549,071 shares of common stock of $1 par value, ahead of which there is $2,141,728 in long-term debt. Currently, the common can be bought in the over-the-counter market for about $17 a share and, on the first quarter showing, coupled with an increasing demand for rayon fabrics, it may well be an interesting speculation.

Profits Rise for Warren Foundry & Pipe

Among the companies which recently have made financial headlines with news of a favorable character is the Warren Foundry & Pipe Corp. The regular quarterly dividend was doubled to 50 cents and, in addition, a 50-cent extra was declared. The company's business is that of manufacturing cast iron pipe. While it mines some of its own ores, it confines manufacturing activities very strictly to its chosen field. The principal use of cast iron pipe is for water and gas mains and for this purpose it is superior to the ordinary steel pipe. Coinciding with the improved financial position of municipalities and with the better earnings—despite political persecution—of public utility companies, the business of Warren Foundry & Pipe has picked up quite markedly. Earnings last year were equivalent to $2.27 a share on the outstanding common stock and made a very favorable comparison with the $1.09 a share that was reported for 1935. It is estimated that for the first half of this year profits will be nearer $1.50 a share than $1 a share. The sole capitalization of Warren Foundry & Pipe is 175,000 shares of common stock. The current market price is about $40 a share and, while the stock is not obviously cheap on its present earnings, the price is not unjustified by the company's position and prospects.

Forestalling Trouble

The frank manner in which representatives of the National Retail Dry Goods Association have been discussing labor relationships at the mid-year convention in Chicago is a constructive development of considerable importance to all financially interested in retail merchandising companies. Among the most important points made was that management should have a closer contact with employees in order that dissafaction may be eliminated before it reaches the critical state of a strike. A member of the research organization discussed the value of the anonymous questionnaire. These are answered on the company's time by checking a number of questions and the management can then remedy the little "sore" spots which lead to more serious trouble. The procedure appears logical, for, although wages and hours may be the ostensible reason for a strike, it may well be that some small matter of working conditions was really the spark that started the fire. It might be well, perhaps, for the prospective stockholder in a merchandising company to inquire as to whether the management is pursuing an enlightened labor policy.

Developments in Companies Recently Discussed

Western Union. Both stock and bonds have moved into new low ground for the year. The company is particularly vulnerable to increased labor costs and this, in the light of the general labor situation, is believed to have been the basis for considerable liquidation.

Jones & Laughlin. Earned the equivalent of $6.09 a share of common stock, after dividend requirements for the period, in the twelve months to April 30, last. For the previous twelve months only 3 cents a share of common was reported. The common is a high leverage issue in a feast-to-a-famine business and hence the sensational recovery. However, as of April 30, there were still $26.25 a share in accumulated dividends on the preferred to be liquidated before the common can expect anything.

Atlantic Refining. Has awarded a contract at a figure of some $1,700,000 for a 213-mile extension of a pipe-line from Williamsport, Pennsylvania, to Buffalo, New York. It is thought that the extension will be in operation well before the end of the present year.

American Car & Foundry. Reported earnings equivalent to $4.18 a share on the 7 per cent preferred stock for the fiscal year ended April 30, 1937, compared with a substantial loss in the corresponding previous period. The president's remarks on the railroad equipment situation were enlightening. He said that there was a buying lull at the moment and while "under normal conditions there would be every reason to expect a resumption of buying in volume before the end of the year, unfortunately conditions just now are far from normal."

Anaconda Copper. Has again reduced, by 25 cents a day, the wages paid miners. This is in accord with the agreement providing that wages shall move upwards and downwards according to the prevailing price of copper. On the whole, the arrangement works well. At a time like this, however, it is interesting to note any labor group placidly accepting a reduction in wages.

Auburn Automobile. Has been in the limelight lately because of a sharp break in the company's stock. Large losses have been shown in recent years. It has been decided to attempt a "come-back" with air-conditioning equipment.

Pure Oil. Further development of the new field discovered a few months ago by the company in Clay County, Illinois, is helping Pure Oil's current operations and promises to be an even more important factor in the future.

General Motors. Among the demands presented to the company by the United Automobile Workers Union is that a blanket increase of ten cents an hour be given. If this were granted, it would mean an additional $10 to $15 in the cost of a car. It is estimated over the past year that automobile manufacturing costs are already up more than $50 a unit. Higher selling prices are inevitable, but the increase probably will be smaller than justified. This means narrower profit-margins and there will have to be a further increase in volume if earnings are to be maintained.

Taking the Pulse of Business

— Production Tapers Off

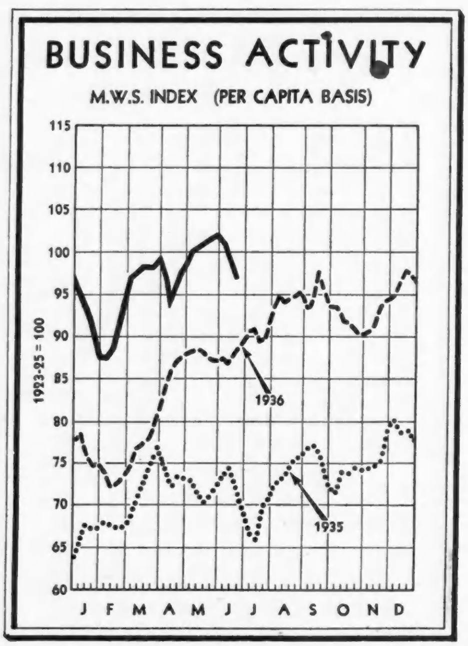
— Strike Stoppages Costly

— Building Gain Smaller

— Copper Stocks Increase

Impaired business confidence arising from a combination of political bitterness, concern over labor conditions, and puncture of the inflation boomlet has at last joined with actual stoppages in production caused by strikes to precipitate a sharp drop in the country's physical volume of per capita Business Activity to around 96% of the 1923-5 average. Curtailment of production and shipments caused by labor strife in the steel, coal, automobile and other industries, and disorganization of business in the afflicted areas, though serious enough, have not assumed sufficient proportions to account for all of the recession that has taken place in Business Activity during the past fortnight. The fact is that most of the heavy industries, and a number of textile mills, are operating in large measure upon orders booked during the first quarter; since new business has been held up more recently by a natural reluctance to gamble on what the near future may have in store. Consequently plants here and there are beginning to reduce output for lack of orders.

As pointed out by Charles M. Schwab, who went through the Homestead struggle of 1892, there have been bigger strikes than those with which the country is now grappling, but never before have the constituted authorities been so lax in enforcing law and order, and never before have labor leaders been so powerless to control their following. To cite only one instance of what business executives are now up against take the recent statement by President Knudsen of the General Motors Corporation which discloses that there have been 200 unauthorized shut-downs in 48 of the company's plants since it signed an agreement with the U. A. W. A., an affiliate of the C. I. O., on March 12. It is this new spirit of lawlessness that causes such grave concern and which, for the time being, is reversing the wheels of progress. Sooner or later public opinion will check the excesses of labor and discredit the politicians who condone anarchy; but no one knows how much harm may be done in the meantime.



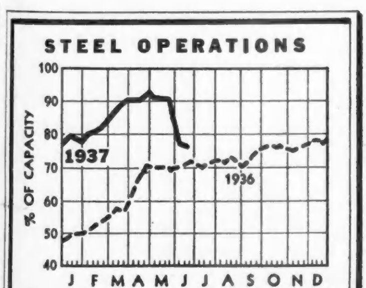
Labor stoppages are costly enough to the plants involved and to employees themselves; but the indirect damage to feeder and dependent industries and to the country's business as a whole is incalculably greater. Curtailed production in strike ridden areas hurts retail trade, reduces railroad income, cuts coal production, lessens electric power output, impairs confidence and halts plans for plant expansion and modernization. This is particularly noticeable at the present time in a slowing down in the rate of expansion in automobile sales, construction awards and machine tool orders. The latter in May dropped 26% from April's peak, but were still 70% above a year ago, and a price increase of at least 10% is expected in the near future to absorb higher labor and material costs.

In spite of the many causes for concern, however, there is no reason to suppose that business recovery has been halted permanently, unless the labor situation becomes much worse than now seems probable. Among something over 40,000,000 at present gainfully employed in the United States it is doubtful if the number out of work because of strikes exceeds 200,000, which would be only half of 1%. Hence retail trade in sections not hampered by labor trouble continues to hold well above last year's level under the stimulus of expanding wages, larger dividend disbursements and increased farm income; while the country's physical volume of production and shipments is still 11% greater than a year ago. Since strike settlements usually involve wage increases there is no reason to expect

any drop in the country's total payrolls in the near future; while farm income will be sustained by bumper domestic crops this coming season in happy combination with unfavorable prospects abroad. Taking the industry as a whole, cotton cloth manufacturers have a sufficient backlog of orders to sustain near capacity operations well into August, and similar conditions obtain in machine tools and in that section of the steel industry which is not affected by labor trouble. It is perhaps significant of the longer range outlook that several of the big life insurance companies are planning to invest in high grade preferred stocks on a large scale in the near future.

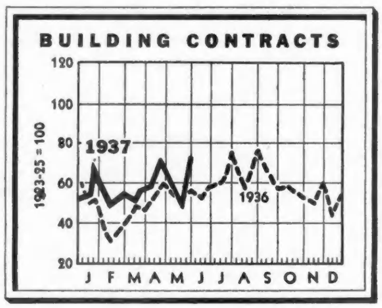
The Trend of Major Industries

STEEL—In spite of the recently reduced rate of expansion in construction contracts and some slowing down in automobile assemblies, there has been a noticeable pick-up in orders for steel during the past few weeks. Viewing the industry as a whole, new orders currently being received are at approximately the present reduced rate of production. A small amount of business for current consumption could probably be booked by mills not hampered by strikes; but practically all such orders have been rejected for fear of inviting labor trouble. For the most part, however, mills now closed by strikes will probably be rewarded for their courageous stand against yielding to coercion by receiving more than their normal share of new business after reopening. It is in fact generally believed that orders on hand at the time of closing, plus the heavy influx of new business expected after the strikes are ended, will enable the independents to operate at close to capacity for the remainder of the year.

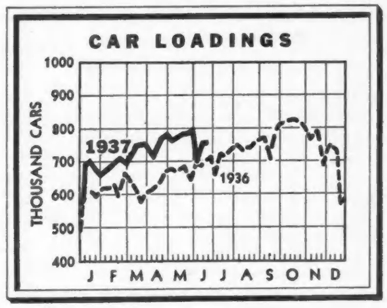


Profits of companies which have escaped the labor plague are at present running well ahead of last year, and practically all of the Chicago area steel companies, with the possible exception of Inland, are expected to earn more than their full year's dividend requirements during the first six months. Unless the strikes should be prolonged beyond sixty days, consumers will be able to fill most requirements for current consumption by drawing upon their own stocks and through purchases from jobbers. It is reported that England, with her own shipyards jammed, is considering the construction of some vessels in the United States; though high costs here are an obstacle.

CONSTRUCTION — New construction awards for May in 37 states east of the Rockies gained only 13% over the corresponding period of 1936, compared with a 16% increase in April and a cumulative improvement of 17% for five months. The May gain in residential contracts amounted to only 20%, against the April increase of 61%. Advancing wages and material costs are causing hesitancy among speculative builders, and unsettled labor conditions in steel and automobile centers of the Middle West have also led to postponement of prospective work. Present slackening tendencies are, however, believed to be temporary; since, with increasing employment, there is an expanding need for housing. If rental rates are not yet high enough to make new construction attractive, the housing shortage will become more and more acute and so accelerate the rise in rents which are already at a level that poses serious budget problems to sections of the population where incomes have not increased materially.



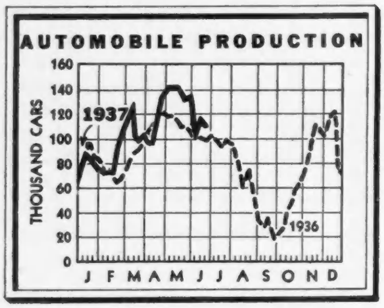
METALS—Copper statistics for May disclose a slightly greater than normal seasonal decline of 15,900 tons in world apparent consumption against a production decrease of only 6,600 tons, with a resulting increase of 9,300 tons in world stocks as compared with April. Domestic consumption of refined copper, which came to 86,250 tons, was 9,630 tons below April, against a decline of only 6,280 tons for all other countries. The increase in stocks for May was the first reported since January, 1936. Owing to unsatisfactory labor conditions in consuming industries it is doubtful if domestic sales of copper in June will exceed 25,000 tons. Financial difficulties in France, combined with the somewhat weaker statistical position, have lowered export prices sufficiently to cause a resumption of copper exports from this country to Europe; though the price here is still held officially at 14c. Some observers believe that the situation will improve rapidly with settlement of labor difficulties in our steel industry, and foreign speculators are beginning to reaccumulate the metal. World visible stocks of tin declined 3% during May. World output during the first four months increased 10% over the corresponding period in 1936. The export quota for the third quarter will remain unchanged at 110% of standard production.



RAILS—Strikes in key industries are interfering somewhat with railroad freight tonnage, and more liberal maintenance is eating into profits. Thus combined net operating income of the first eight carriers to report for May declined 12% from May last year, despite an 8% gain in gross revenues. On the other hand, traffic on the grangers will soon begin to feel the benefit of

unusually heavy crop movements. Railroad executives believe that labor demands for a $500,000,000 pay increase may be compromised at about $200,000,000 which, however, would be twice the estimated yield from proposed rate increases.

AUTOMOBILES—May factory sales of motor cars made in the U. S. A. were 10% ahead of May, 1936, about the same rate of increase as reported for the first five



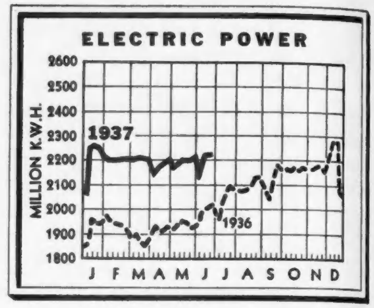
months. Assemblies during the current quarter, owing to labor trouble, will probably show little if any increase over a year ago, except in the case of Ford, Packard, Nash, and Willys-Overland, and profits will reflect higher costs. If C. I. O. demands are met, costs for the third quarter will be even heavier.

OIL—The Bureau of Mines places motor fuel demand for July at 12% above actual consumption for July a year ago. With current sales volume at record levels, prices firm, and comparative freedom from the handicaps of unionizing activities, leading oil companies are expected to show increases of 40% to 50% in second quarter earnings compared with a year ago.

MERCHANDISING — In spite of acute labor strife here and there, merchandising sales are again beginning to reflect the persistent expansion in national income; even though comparisons on a yearly basis are having to compete with the stimulus afforded to trade a year ago from disbursement of the soldier bonus. Comparing May this year with May of 1936, we find an increase of 7% in department store sales, 11% in rural sales, 25% for mail order houses, 15% for chain stores, 1.5% for variety stores, and 7.4% for life insurance. For the first half of June, department store sales in the New York area increased 9%. These figures are all in dollars. The gain in unit quantity is much smaller, of course, owing to an 8% average rise in retail prices during the past year. On the other hand, the cost of living has advanced only 6%, despite an average increase of 12% in rentals throughout the country. Furniture prices have just been raised 5% to 10% at the factory and further advances will be necessary if labor and material costs continue to go up.

UTILITIES—The curve of electric power output has flattened out, owing to strikes at the plant of heavy consumers; yet production manages to hold at nearly 12% above last year. Earnings are not expanding proportionately; though the utilities would doubtless do better marketwise were it not for the ever-present threat of Government hounding.

AMUSEMENTS — Earnings of the motion picture industry, though seasonally under the first quarter, are holding well above last year's level. The outlook for profits during the final half-year appears exceptionally promising, owing to the

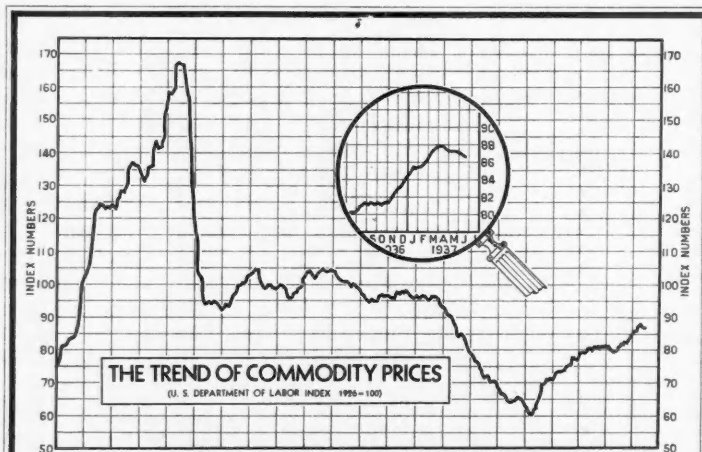


constantly improving quality of film productions, expanding attendance consequent upon shortening hours and expanding payrolls, and expectations that at least a moderate advance in the level of admission prices will balance rising costs.

TOBACCO — Cigarette production for May was the largest for any like month on record and nearly 9% above May a year ago. Small cigar output increased 41% in May; but large cigars gained only 2%.

Conclusion

While the past fortnight has witnessed a sharp drop in business activity attributable directly to strikes in key industries and indirectly to business apprehension fostered by lawlessness on the part of labor and its political sympathizers, it is distinctly encouraging to note that the physical volume of national income produced is still 11% above last year's level at this time. Unless the labor situation becomes much more widespread and serious than now seems probable, it is reasonably certain that recovery will be resumed under the spur of expanding purchasing power; upon the first clear indication that lawlessness has begun to subside.



Changes in Major Commodity Price Group for the Fortnight Ended June 19, 1937

Farm Products	down 1.9	Metals	no change
Foods	down 0.8	Building material	no change
Hides and leather	down 0.4	Chemicals	up 0.2
Textiles	down 0.3	Housefurnishings	no change
Fuel and lighting	down 0.1	Miscellaneous	down 0.8

ESSENTIAL STATISTICS

Finance **Securities** **Business**

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

1936 Indexes High	1936 Indexes Low	No. of Issues	(1925 Close—100)	1937 Indexes High	1937 Indexes Low	June 12	June 19	June 26
106.0	78.4	330	COMBINED AVER.	122.0	93.6	97.0	94.4	93.6x
204.6	113.4	5	Agricultural Implements	243.0	204.6	230.3	227.5	224.0
68.6	39.9	6	Amusements	72.6	58.0	60.3	58.0x	58.2
143.5	116.8	16	Automobile Accessories	146.0	104.9	110.1	107.6	104.9x
24.9	17.7	13	Automobiles	30.1	21.0	21.9	21.1	21.0x
156.8	104.3	8	Aviation (1927 Cl.—100)	178.0	126.0	128.3	127.6	126.5
23.8	12.6	3	Baking (1926 Cl.—100)	28.5	17.0	18.0	17.0x	17.0
500.9	318.6	2	Bots. & Cks. ('32 Cl.—100)	536.0	456.6	481.2	474.0	474.0
262.0	202.8	3	Business Machines	308.6	245.0	251.6	247.6	245.0x
287.4	216.2	2	Cans	242.8	184.1	185.9	186.5	184.1x
237.1	187.5	10	Chemicals	247.7	201.5	211.4	203.8	201.5x
73.8	42.8	15	Construction	88.3	60.7	65.0	62.0	60.7x
166.4	87.9	10	Copper & Brass	217.3	148.0	156.0	151.2	154.2
47.8	39.3	2	Dairy Products	43.0	33.5	37.1	36.5	33.5x
41.8	23.3	10	Department Stores	42.7	32.7	33.4	33.4	32.7x
100.1	72.8	8	Drugs & Toilet Articles	108.8	84.8	90.4	86.8	84.8x
441.1	227.2	2	Finance Companies	388.4	323.5	333.2	351.3	333.6
70.1	60.9	7	Food Brands	71.9	52.5	55.1	54.3	52.5x
56.6	41.4	4	Food Stores	53.2	38.6	38.6x	40.4	39.8
103.2	65.7	3	Furniture	122.3	98.3	98.7	98.3	100.3
1296.9	1116.0	4	Gold & Platinum Mining	1253.6	940.1	940.1x	943.5	956.1
51.0	36.6	5	Investment Trusts	58.6	44.6	46.3	44.9	44.6x
341.6	265.2	3	Liquor (1932 Cl.—100)	317.8	259.1	272.2	262.8	259.1x
189.5	134.7	9	Machinery	209.8	163.5	170.0	163.5x	165.6
107.4	61.3	2	Mail Order	104.2	85.2	87.4	90.0	89.3
83.9	59.4	4	Meat Packing	109.6	79.6	84.2	82.6	82.7
232.5	159.5	14	Metal Mining & Smelting	334.1	232.5	249.5	235.3	239.3
23.4	6.0	2	Paper	26.5	19.0	21.3	20.4	19.5
142.8	97.2	24	Petroleum & Natural Gas	158.8	137.0	138.2	138.1	137.0x
96.6	67.2	18	Public Utilities	114.9	72.5	72.5x	72.6	72.8
35.4	26.7	4	Radio (1927 Cl.—100)	31.7	22.6	22.9	22.6x	23.3
100.4	52.5	9	Railroad Equipment	112.9	79.4	84.1	81.1	79.4x
39.8	27.3	24	Railroads	48.6	33.8	37.8	36.0	33.8x
27.1	13.4	3	Realty	28.5	14.9	16.4	15.6	14.9x
87.6	62.7	4	Shipbuilding	87.6	62.9	65.2	63.2	63.2
124.5	85.2	12	Steel & Iron	165.6	124.5	128.8	128.3	131.0
45.3	29.8	6	Sugar	45.2	35.1	36.2	35.1x	35.2
175.6	142.5	2	Sulphur	171.2	144.5	146.6	144.5x	150.1
97.4	76.6	3	Telephone & Telegraph	85.3	62.0	67.6	66.0	62.0x
83.5	62.0	8	Textiles	91.8	70.2	71.5	70.6	70.2x
20.9	10.6	4	Tires & Rubber	29.2	20.5	24.5	24.1	23.7
100.2	87.2	4	Tobacco	99.4	80.9	82.0	82.2	80.9x
76.2	61.0	5	Traction	71.9	34.4	37.4	34.7	34.4x
369.2	232.5	4	Variety Stores	346.8	245.0	250.7	250.4	245.0x

—New **LOW** this year.

DAILY INDEXES OF SECURITIES

	N. Y. Times 40 Bonds	Dow-Jones-Avgs. 30 Indus.	Dow-Jones-Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, June 14	84.25	165.51	53.75	124.35	121.41	1,300,169
Tuesday, June 15	84.33	167.40	54.18	124.12	121.32	928,563
Wednesday, June 16	84.21	165.86	53.57	123.25	121.92	698,730
Thursday, June 17	84.11	167.74	53.88	123.60	120.18	1,259,000
Friday, June 18	84.09	168.79	53.65	124.24	122.59	695,530
Saturday, June 19	84.06	168.60	53.38	123.96	123.45	220,950
Monday, June 21	83.91	167.98	52.75	123.72	122.53	423,950
Tuesday, June 22	83.69	168.20	52.86	124.08	122.82	534,160
Wednesday, June 23	83.54	169.01	53.05	124.44	123.38	551,470
Thursday, June 24	83.54	170.08	53.15	124.47	123.29	553,390
Friday, June 25	83.20	169.59	52.37	124.76	123.24	574,620
Saturday, June 26	82.99	168.45	51.06	123.03	121.75	288,240

STOCK MARKET VOLUME

Week Ended June 26	Week Ended June 19	Week Ended June 12
2,925,830	5,102,942	3,483,801
Total Transactions Year to June 26	**Same Date 1936**	**Same Date 1935**
226,921,387	259,174,445	124,849,124

Note: Latest figures compiled as of June 28. (b)—1,000 Gross tons. (C)—Iron Age. (d)—F. W. Dodge—37 states. (e)—Estimated. (f)—Dun & Bradstreet. (G)—U. S. Labor Bureau. '23-25—100. ★—100 omitted. †—000,000 omitted. *Iron Age Composite. §—Week ended June 22. Mr.—March. Ap.—April.

MONEY RATES	Latest Week	Previous Week	Year Ago
Time Money (90-day)	1¼%	1¼%	1¼%
Prime Commercial Paper	1%	1%	¾%
Call Money	1%	1%	1%
Re-Discount Rate	1½%	1½%	1½%

CREDIT	Latest Week	Previous Week	Year Ago
Bank Clearings, N. Y.†	$3,851	$3,872	$3,545
Bank Clearings (outside N. Y.)†	2,356	2,285	2,027
Brokers' Loans, F. R.†	1,217	1,169	1,030
	June 1	May 1	Last Year
Brokers' Loans N. Y. S. E.†	$1,152	$1,187	970
New Corporate Financing†	91My	104Ap	237

COMMODITY PRICES	Latest Week	Previous Week	Year Ago
Finished Steel* c per lb	.2605	.2605	.2097
Pig Iron* $ per ton	23.25	23.25	18.84
Steel Scrap* $ per ton	17.08	17.08	12.75
Copper, $ per lb	.14	.14	.095
Lead, $ per lb. N. Y.	.06	.06	.046
Zinc, $ per lb. N. Y.	.071	.071	.0522½
Tin, $ per lb	.5565	.5462½	.4262½
Rubber, $ per lb	.19⅝	.19	.16¾
Crude Oil (Mid-Cont.), $ per barrel	1.35	1.35	1.17
Sugar, raw, $ per lb	.0345	.0345	.0375
Silk, raw, $ per lb	1.86	1.85	1.64
Wool, raw, $ per lb	1.01-1.03	1.01-1.03	.88
Wheat Price, Sept., $ per bu.	1.16⅛	1.06½	.93¾
Cotton Price, Oct., $ per lb.	.1224	.1201	.1172
Corn Price, Sept. $ per bu	1.08⅞	1.00½	.65⅛

KEY INDUSTRIES	May	April	Year Ago
Steel Ingot Prod. (b) (tons)	5,154	5,072	4,046
U. S. Steel Corp. Shipments (b) (tons)	1,304	1,344	984
Pig Iron Production (b) (tons)	3,520	3,392	2,648
Operating Rate % Capacity	75.0	77.0	71.5
Auto Production	540,387	553,415	480,571
Bldg. Contract Awards (d)★	244,113	269,934	216,071
Residential Bldg. (d)★	83,937	108,013	70,253
Engineering Contracts★	235,012	216,955	141,257
Cement Shipments ★(bbls.)	10,265Ap	7,875Mr	9,180
Cotton Consumption (bales)★	675	719	531
Mach. Tool Orders, '26—100%	208.5	282.5	118.9
	Latest Week	Previous Week	Year Ago
Oil Prod., daily aver. (bbls.)★	3,511	3,516	2,963
Stocks of Gasoline★ (bbls.)	76,574	76,996	68,927
Elec. Pwr. Output (kwh.)†	2,214	2,214	2,005

TRANSPORTATION	Latest Week	Previous Week	Year Ago
Carloadings★	756	754	691
Miscellaneous Freight★	312	312	287
Merchandise, L.C.L.★	168	170	161

TRADE	May	April	Year Ago
Dept. Store Sales '23-25—100%	93	93	87
Mail Order Sales★	89,075	83,508	71,746
Merchandise Imports★	287,252Ap	307,528Mr	202,779
Merchandise Exports★	269,171Ap	256,390Mr	192,795
Business Failures (F)	834	786	832

EMPLOYMENT	May	April	Year Ago
Factory (G)	102.2	102.2	89.8
Durable Goods Industries (G)	99.8	98.7	84.0
Consumers Goods (G)	104.7	106.0	96.0
Factory Payrolls (G)	105.1	104.8	80.8

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your inquiry.

Special rates upon request for those requiring additional service.

Youngstown Sheet & Tube Co.

I have 100 shares of Youngstown Sheet & Tube common stock which I purchased at 52. In the light of the appreciation I now enjoy, and the possibility of continued labor difficulties in the steel industry, I do not know if continued holding is desirable. A word from you will be appreciated.—E. G. E., Toledo, Ohio.

The Youngstown Sheet & Tube Co. has diversified its operations within recent years so that pipes and tubes now account for about 31% of finished capacity, while sheet and strip steel make up a similar percentage. Consuming outlets include the oil and gas, automotive, building and the container industries. Prior to the depression, the Youngstown Sheet & Tube Co. had a consecutive dividend record dating back to 1906. Dividends on the common were resumed this year, accumulated dividends on the preferred shares having been eliminated. The debentures have been reduced by redemption and conversion to $5,512,000 while the outstanding common has risen to 1,587,184 shares. A substantial saving also resulted from the refunding of its 5% bonds in 1936 in part with a $60,000,000 issue of first mortgage 4's. The company ended 1936 in a strong financial position, with current assets of $70,291,596, including cash of $7,682,243, against current liabilities of $11,137,190. In the first quarter of 1937 earnings were equivalent to $3.05 per common share, after preferred requirements, against $1.43 a year previously. Earnings in 1936 amounted to $7.03 per share against 64 cents per share in 1935—both well below the 1929 figure of $17.26. Placed in perspective to the longer term prospects, present labor difficulties, while most disturbing currently, moderate the near-term prospects only, in our opinion. After reckoning on a reasonable period of inactivity attendant with disrupted production, we remain of the opinion that earnings outlook amply justifies current quotations on the issue, and recommend further retention of your holdings.

U. S. Industrial Alcohol Co.

I appreciate that the possibilities in U. S. Industrial Alcohol are largely speculative. I would, however, be grateful for your estimation of these possibilities; and whether they should result in higher levels when current pressure on the market is lifted?—H. A. C., Rochester, N. Y.

Conceding, as you do, the speculative character of the shares of U. S. Industrial Alcohol, we would point out that there is as yet little to suggest the likelihood of developments in the immediate future which would favor a pronounced improvement marketwise in these shares. Such developments may transpire, however, and in fact it was recently announced that UD would raise the price of its industrial alcohol one cent a gallon. Although U. S. Industrial Alcohol Co. is the largest factor in its field, it is nevertheless subject to the wide variations in earning power characteristic of the industry which it represents. The lack of stability in profit margin is attributable to two primary factors —violent fluctuations in raw material price levels and keenly competitive conditions in the marketing of anti-freeze and solvents for industrial purposes, which are the chief sources of income. Nevertheless, as has been noted, U. S. Industrial Alcohol is the most important factor in the field, and by way of partly compensating for the absence of stability in earning power, is the absence of funded debt or preferred stock in the capital structure, and the satisfactory financial status characteristic of the statements issued by the company. Moreover, some progress is being made toward diversification of products, which is always a stabilizing influence; and dividends from its investments in Air Reduction and National Distillers contribute to earning power. Current quotations appear relatively high on the basis of probable current earning power, but shares may be held for longer term price betterment.

(Please turn to page 382)

When *Quick* Service Is Required, Send Us a Telegram Prepaid and Instruct Us to Answer Collect.

Market Establishing Base for Near-Term Advance . . .

CURRENT recommendations of our three active programs . . . Trading Advices, Unusual Opportunities and Bargain Indicator . . . have been especially selected for their outstanding profit possibilities within the next month or two. They represent commitments through which you can quickly offset losses in the early stages of the next market recovery. Then, through continuous Forecast counsel you can take definite steps to increase the value of your capital and equity.

The immediate future holds dynamic profit prospects because the recent full intermediate reaction ran counter to the maintenance of rising corporate earnings, heavy consumer buying and the trends of inflation and recovery. As the present labor unrest is settled, the market will rebound sharply and a new major advance will get under way.

If your account is now frozen, we shall be glad to analyze your present holdings and advise you what to retain and what to close out. You will then be guided in taking an advantageous position through our current recommendations. This market phase offers an excellent opportunity to switch out of laggards into stocks that will shortly be selling from 5 to 25 points above prevailing levels.

As a Forecast client we anticipate serving you profitably not only during the months ahead, but over the balance of the year and through 1938. Fall and Winter should again bring renewed industrial expansion accompanied by huge dividend disbursements to avoid the corporate surplus tax.

Out of a market situation like the present, over a period of 19 years, Forecast advices have resulted in very substantial profits. In fact, over the past 39 years, between now and Labor Day, leading security averages have advanced about 7 times out of 10 . . . and rarely has the fundamental setting been as favorable as that today.

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THE INVESTMENT AND BUSINESS FORECAST

OF THE MAGAZINE OF WALL STREET

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☐ TRADING ADVICES — Active common stocks for near-term profit. Three or four wires a month. Three to five stocks carried at a time. $1,500 capital sufficient to buy 10 shares of all recommendations on over 60% margin.

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NAME .... CAPITAL OR EQUITY AVAILABLE ....

ADDRESS ....

CITY .... STATE .... July 3

Include a Complete List of Your Present Holdings for Our Analysis and Recommendations

New York Stock Exchang

Rails

	1935 High	1935 Low	1936 High	1936 Low	1937 High	1937 Low	Last Sale 6/23/37	Div'd $ Per Share
A								
Atchison	60	35¾	88½	59	94¾	69½	79¼	†2.00
Atlantic Coast Line	37¼	19½	49	21⅝	55½	44⅛	52	†1.00
B								
Baltimore & Ohio	18	7½	26½	15⅞	40½	20⅝	27⅛	....
C								
Canadian Pacific	13¾	8⅝	16	10⅞	17½	12¼	12½	....
Chesapeake & Ohio	53¼	37⅛	77¾	51	68⅞	50½	52⅞	*2.00
Chicago Gt. Western Pfd	5⅝	1⅝	14⅝	4	18¼	10	10¼	....
C. M. & St. Paul & Pacific	3	¼	2⅞	1½	3¼	1⅞	1⅞	....
C. M. & St. Paul & Pacific Pfd	4¾	¾	5⅞	2⅞	7¼	3¼	3½	....
Chicago & North Western	5⅝	1⅜	4⅞	2½	6⅜	3⅛	3⅝	....
Chicago, Rock Is. & Pacific	2⅝	¾	3	1½	3⅝	2⅛	2⅛	....
D								
Delaware & Hudson	43½	23½	54¾	36¾	58⅜	36¼	37	....
Delaware, Lack. & West	19⅛	11	23⅛	14⅞	24½	15⅛	15¾	....
E								
Erie R. R.	14	7⅛	18¼	11	23⅝	13⅞	15	....
G								
Great Northern Pfd	35⅛	9⅝	46⅜	32¼	56¾	46⅝	50¼	....
I								
Illinois Central	22¼	9½	29½	18⅝	38	21¾	23	....
K								
Kansas City Southern	14½	3¾	26	13	29	16	16⅝	....
L								
Lehigh Valley	11½	5	22	8½	24⅝	14	15	....
Louisville & Nashville	64¾	34	102⅜	57½	99	84	87⅞	‡2.50
M								
Mo., Kansas & Texas	6⅜	2½	9⅝	5½	9¾	5½	6⅜	....
Mo., Kansas & Texas Pfd., A	16¼	5⅞	33⅜	14½	34⅝	21¼	22¼	....
Missouri Pacific	3	1	4	2⅛	6¼	3	3⅝	....
N								
New York Central	29¾	12¼	49⅝	27¾	55¼	37½	38¼	....
N. Y., Chic. & St. Louis	19	6	53⅛	17¾	72	41	52	....
N. Y., N. H. & Hartford	8½	2⅝	6⅛	3	9¾	3¾	4	....
Northern Pacific	25¼	13⅛	36¾	23⅞	36⅝	27¼	29⅜	....
P								
Pennsylvania	32½	17¼	45	28¼	50¼	36½	37¼	‡.50
R								
Reading	43⅛	29⅞	50¾	35½	47	34¾	34¾	2.00
S								
St. Louis-San Fran	2	¾	3⅝	1½	4¾	2½	2⅝	....
Southern Pacific	25½	12¾	47⅞	23½	65⅜	42½	45	....
Southern Railway	16½	5½	26½	12¾	43⅜	24	31⅛	....
T								
Texas & Pacific	28½	14	49	28	54¼	42¾	46	....
U								
Union Pacific	111½	82½	149¾	108½	148¾	126½	129⅞	6.00
W								
Western Maryland	10⅛	5½	12⅛	8⅛	11¾	7⅜	7½	....
Western Pacific	3⅜	1⅛	4	1⅞	4¾	2⅜	2⅜	....

Industrials and Miscellaneous

	1935 High	1935 Low	1936 High	1936 Low	1937 High	1937 Low	Last Sale 6/23/37	Div'd $ Per Share
A								
Air Reduction	.....	.....	86½	58	80¼	64½	67¾	*1.00
Alaska Juneau	20⅛	13¼	17½	13	15¾	11	11⅛	*.60
Allied Chemical & Dye	173	125	245	157	258½	215	217	6.00
Allied Stores	9	3⅛	20⅛	6¾	21⅞	15	17⅛	‡.20
Allis Chalmers Mfg	33⅞	12	81	35⅜	83½	57	59¼	‡1.00
Alpha Portland Cement	22¾	14	34½	19¾	39¾	23	24⅞	1.00
Amer. Agric. Chemical (Del.)	57¾	41½	89	49	101½	83	88	‡2.50
American Bank Note	47⅜	13½	55½	36	41⅜	21⅜	21⅜	*1.00
Amer. Brake Shoe & Fdy	42½	21	70¼	40	80¾	57¼	63½	‡1.25
American Can	149⅝	110	137½	110	121	90¼	94¼	*4.00
Amer. Car & Fdy	33⅞	10	60½	30	71	49¾	52¼	‡.25
American & Foreign Power	9¼	2	9¾	6½	13¾	6½	7	....
Amer. Power & Light	9⅝	1½	14⅜	7½	16½	7	8¼	....
Amer. Radiator & S. S.	25⅛	10½	27⅜	18¾	29½	18⅝	19½	*.60
Amer. Rolling Mill	32⅜	15¾	37	23¾	45¼	31⅝	34½	2.00
Amer. Smelting & Refining	64⅝	31⅝	103	56¾	105¾	79⅝	84¼	3.00
Amer. Steel Foundries	25¼	12	64	20½	73¼	48⅝	54½	‡1.00
Amer. Sugar Refining	70½	50⅛	63⅝	48¼	56⅞	37	41	†2.00
Amer. Tel. & Tel.	160½	98⅞	190⅛	149½	187	160⅛	165	9.00
Amer. Tob. B	107	74¾	104	88½	99⅞	74⅛	77	5.00
Amer. Water Works & Elec	22¾	7⅛	27¾	19⅛	29½	15¼	16⅞	.80
Anaconda Copper Mining	30	8	55⅜	28	69½	47¾	51⅜	‡.75
Armour Co. of Ill	6⅛	3¼	7⅜	4⅝	13¾	7	10¾	‡.35
Atlantic Refining	28	20½	35⅛	26⅝	37	27⅜	28¼	*1.00
Auburn Auto	45½	15	54¼	26⅝	36¾	13½	16	....
Aviation Corp. Del	5¼	2¾	7¾	4⅝	9¼	5⅝	6⅛	....
B								
Baldwin Loco. Works	6⅝	1½	11¾	2½	11¼	4⅞	5	....
Barber Co	22½	11¾	38½	21	43⅜	28⅝	29	1.00
Barnsdall Oil	14¾	5⅞	28¼	14⅛	35¼	24¼	25	1.00
Bendix Aviation	24½	11⅞	32⅜	21⅝	30½	18¼	19⅜	‡.50

Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1935 High	1935 Low	1936 High	1936 Low	1937 High	1937 Low	Last Sale 6/23/37	Div'd $ Per Share
B								
Best & Co.	57½	34	72	48	62¾	47½	48	2.87½
Bethlehem Steel	52	21⅝	77¾	45¾	105½	73	83	‡1.00
Boeing Airplane	22½	6⅛	37⅜	16⅞	49¾	28¼	30¼	....
Borden Co.	27¾	21	32⅜	25⅝	28	22⅝	22¾	1.60
Borg-Warner	.....	.....	.....	.....	47	38⅞	43½	2.00
Bridgeport Brass	17⅛	8½	18⅞	12⅛	23¼	15	16⅞	1.00
Briggs Mfg.	55⅜	24½	64⅞	43¼	59⅞	39¼	40½	‡1.50
Brooklyn-Manhattan Transit	46¾	36½	58¼	40¼	53	18½	21½	‡2.50
Bucyrus Erie	8⅞	4¼	21¾	8⅞	25¼	15	15⅞	....
Budd Mfg.	9¾	3¼	15⅞	9⅛	14⅜	7⅛	7¾	....
Byers & Co. (A. M.)	20⅝	11⅜	29⅛	16½	33¾	17½	19¼	....
C								
Calumet & Hecla	6¾	2½	16½	6	20⅛	12	13½	‡.75
Canada Dry Ginger Ale	17⅞	8⅛	30¾	10⅜	38¼	24½	27¼	....
Case, J. L.	111¼	45¾	186	92½	176½	138	161½	4.00
Caterpillar Tractor	60	36½	91	54¾	100	85	89¼	*2.00
Celanese Corp.	35⅜	19½	32¼	21¾	41¼	26⅝	37⅛	‡1.50
Cerro de Pasco Copper	65⅜	38⅝	74	47¾	86⅜	60	63	4.00
Chesapeake Corp.	61¼	36	100	59	90½	67½	67½	3.00
Chrysler Corp.	93⅞	31	138¾	85½	135¼	97½	100¼	‡3.50
Colum. Gas & Elec.	15¾	3⅜	23⅜	14	20⅞	10	11¼	.40
Commercial Credit	58	39½	84⅞	44	69¼	56¾	59⅝	*4.00
Comm. Inv. Trust	72	56¼	91¾	55	80¼	63½	64½	*4.00
Commercial Solvents	23⅞	16½	24⅝	14¼	21¼	13	13⅛	*.60
Commonwealth & Southern	3	¾	5½	2¼	4⅛	2	2⅛	....
Consolidated Edison Co.	34¾	15⅞	48⅜	27¼	49⅞	31½	33	*2.00
Consol. Oil	12¼	6½	17¼	11½	17⅞	14½	15⅜	*.80
Container Corp.	23⅛	22	26¼	15¾	37⅜	20⅝	28	1.20
Continental Baking A	11⅞	4½	35⅜	10⅜	37¾	18⅛	19¼	....
Continental Can	99¼	62¾	87¼	63¾	69⅛	50	50⅞	3.00
Continental Oil	35	15⅛	44⅞	28⅛	47⅜	39¾	43½	*1.00
Corn Products Refining	78⅜	60	82½	63⅝	71¼	54⅞	60½	*3.00
Crane Co.	27⅜	7	50½	24	56½	41½	42½	....
Crown Cork & Seal	48⅞	23½	91½	43⅝	100⅞	69	69¾	2.00
Curtis-Wright	4⅝	2	9¼	4	8⅜	5	5¼	....
Curtis-Wright, A	12¼	6¼	21⅞	10½	23¾	16½	17¼	†.50
D								
Deere & Co.	58¾	22¾	108¾	52	137½	104⅜	128½	....
Distillers Corp. Seagrams	38½	13⅝	34⅝	18¼	29	20¼	20½	....
Dome Mines	44⅞	34⅛	61½	41½	51	38⅛	39¼	*2.00
Douglas Aircraft	58⅜	17½	82¼	50⅝	77¼	47⅛	57	....
Du Pont de Nemours	146½	86⅝	84¾	133	180⅛	148½	154	‡2.75
E								
Eastman Kodak	172¼	110½	185	156	175¼	151	169½	8.00
Electric Auto Lite	38¾	19⅜	47½	30¾	45½	34¾	37⅜	‡1.40
Elec. Power & Light	7½	1⅛	25⅞	6⅜	26⅝	14⅛	17⅞	....
Endicott Johnson Corp.	66	52¾	69	53½	60	55	55½	3.00
F								
Fairbanks, Morse	39½	17	71¾	34¾	71⅞	49½	51½	*1.00
Firestone Tire & Rubber	25½	13⅛	36¼	24⅞	41⅜	31	32	2.00
First National Stores	58⅞	44⅜	53⅝	40	52¼	39½	40	*2.50
Foster-Wheeler	30	9⅞	45⅜	24⅛	54½	37½	39¾	....
Freeport Sulphur	30⅝	17¼	35⅝	23½	32¼	24¼	25¾	1.00
G								
General Amer. Transpt.	48½	32⅝	76	42¼	86½	63½	65	‡1.50
General Baking	13⅜	7⅜	20	10¾	19½	10¾	10¾	*.60
General Electric	40⅞	20½	55	34½	64⅞	49⅜	53¼	‡.80
General Foods	37⅞	30	44	33⅜	44¼	36	37⅜	2.00
General Mills	72½	59⅞	70½	58	65⅞	60	62¾	3.00
General Motors	59⅜	26⅝	77	53⅞	70½	48⅛	50⅝	‡1.25
General Railway Signal	41¼	15⅝	57	32½	65⅛	41¼	44¼	1.00
Gen. Realty & Utility	3⅛	¾	4⅞	2	5¾	3	3	....
General Refractories	33½	16¾	71	33¼	70¼	55	58	‡2.00
Glidden	49½	23⅜	55¼	39½	51½	41	43	2.30
Goodrich Co. (B. F.)	14½	7½	35½	13⅝	50½	31	39½	‡.50
Goodyear Tire & Rubber	26⅞	15¾	31⅞	21⅝	47⅜	27¾	38½	‡1.00
H								
Hecker Products	22	14⅜	21⅜	12⅝	15⅞	11⅜	11⅞	*.60
Hercules Powder	90	71	150	84	185	144⅞	150	6.00
Houston Oil	7	1½	13⅞	6⅜	17⅝	12½	14¼	....
Hudson Motor Car	17½	6¼	22⅝	13½	23¼	13¼	14⅜	....
I								
Industrial Rayon	36⅜	23½	41⅜	25⅝	47½	35¾	36⅝	2.00
Inspiration Copper	8⅜	2½	24¼	6⅛	33⅛	17⅜	23	....
Interborough Rapid Transit	23⅝	8¾	18⅞	10⅞	13¾	5⅞	6	....
Inter. Business Machines	190½	149¼	194	160	189	146½	150¼	*6.00
Inter. Harvester	65⅝	34⅛	105½	56⅝	112¾	99⅛	107⅛	2.50
Inter. Nickel	47¼	22¼	66⅜	43¼	73⅜	55⅛	57¼	‡1.00
Inter. Tel. & Tel.	14	5⅝	19¼	11⅛	15⅞	9¾	10⅝	....
J								
Johns-Manville	99½	38½	152	88	155	120	125½	*3.00
K								
Kennecott Copper	30⅜	13¾	63⅜	28¼	69⅜	51	56⅝	‡1.25
L								
Lambert	28½	21⅜	26¾	15⅞	24	18¼	18⅞	2.00
Lehman Corp.	95¾	67⅛	123¾	89	43½	36	39	*1.00
Libbey-Owens-Ford	49¼	21½	80¼	47¼	79	61¼	63	‡.75
Liggett & Myers Tob., B	122	93¾	116½	97¾	114	94¼	96¼	*4.00
Loew's, Inc.	55⅛	31¼	67⅛	43	84½	64½	76	*2.00
Lone Star Cement	36⅞	22⅞	61⅞	35½	75¼	50¼	54¾	3.00
Lorillard	26½	18½	26½	21⅛	28⅝	20½	20½	*1.20
M								
Mack Truck	30¾	18⅝	49¼	27⅜	62¼	40⅜	41¾	*4.00
Macy (R. H.)	57¼	30½	65¼	40⅛	58¼	44	46¼	*2.00
Marshall Field	14¼	6¾	25⅛	11⅛	30⅞	18⅞	24	....
Masonite	....	....	64½	44	74	49½	50½	*1.00
Mathieson Alkali	33⅞	23¾	42⅜	27½	41¾	32⅞	33¼	1.50
McKeesport Tin Plate	131	90½	118½	83½	42½	31⅛	33¾	2.00

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1935		1936		1937		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	6/23/37	Share
M								
McKesson & Robbins	10¾	5⅞	14¾	8⅝	16¼	12⅝	14⅛	....
Mesta Machine	42⅝	24⅛	65	40⅝	72¼	58	61½	‡2.75
Minn. Honeywell	....	....	112	65	120	96	100	2.00
Minn. Moline Power	7⅝	3⅞	12⅜	6½	16⅛	11	12¾	....
Monsanto Chemical	94¾	55	103	79	101	85	86½	‡1.00
Mont. Ward & Co	40⅞	21¾	68	35¾	69	48	55	*2.00
Murray Corp	21⅜	4¾	22¾	14	20¾	10⅜	11	†.50
N								
Nash Kelvinator	....	....	....	....	24⅝	16½	17⅜	1.00
National Biscuit	36⅜	22¼	38¾	28¾	33⅜	22¾	23⅞	1.60
National Cash Register	23½	13½	32⅝	21½	38⅞	29⅝	33	1.00
National Dairy Prod	22⅛	12⅞	28¼	21	26⅛	20¼	20¼	1.20
National Distillers	34½	23⅛	33⅜	25⅝	35	27½	29	*2.00
National Lead	....	....	36½	26⅜	44	30⅜	34⅞	*.50
National Power & Light	14⅜	4⅞	14⅞	9⅝	14¾	8⅝	9⅜	.60
National Steel	83¾	40⅜	78	57¼	94½	70	77¾	*2.50
Newport Industries	10⅞	4⅜	40	9	41¾	28	33¼	‡.50
North American	28	9	35½	23⅛	34⅞	21	23	‡.60
North Amer. Aviation	7⅜	2	14¼	6⅝	17⅜	9⅝	11⅜	....
O								
Ohio Oil	14¼	9¼	18	12⅛	22⅞	17⅛	18⅝	‡.50
Otis Steel	17⅝	4¼	20¾	12½	24⅜	14½	17⅜	....
P								
Pacific Gas & Electric	31⅝	13⅛	41	30¾	38	28⅛	29	2.00
Packard Motor Car	7½	3½	13⅜	6⅞	12⅜	7⅞	8¾	‡.15
Paramount Pictures	12	8	25	7⅛	28¾	16⅝	18½	....
Penney (J. C.)	84¾	57¼	112½	69	103¾	85	87	4.00
Phelps Dodge	28⅛	12¾	56¾	25⅝	59⅞	40	45	‡.80
Phillips Petroleum	40	13¾	52⅜	38⅛	59¼	49½	54	*2.00
Procter & Gamble	53¾	42⅜	56	40¼	65½	55½	57⅞	*2.00
Public Service of N. J.	46¾	20⅜	50½	39	52¾	36¾	38⅞	2.60
Pullman	52⅞	29½	69⅞	36⅞	72⅛	52⅛	55	1.50
Pure Oil	17	5⅞	24⅞	16	24⅜	16⅝	17¼	....
R								
Radio Corp. of America	13⅜	4	14¼	9¾	12¾	7⅞	8⅛	....
Radio-Keith-Orpheum	6	1¼	10⅞	5	10⅛	6⅞	7	....
Remington Rand	20¾	7	25	17½	29⅛	21	23⅛	‡.55
Republic Steel	20¾	9	29⅞	16⅞	47¼	27½	35	....
Reynolds (R. J.) Tob. Cl. B	58⅝	43⅛	60½	50	58	49	49¾	*3.00
S								
Safeway Stores	46	31⅝	49⅝	27	46	31	33½	*2.00
Schenley Distillers	56¼	22	55⅞	37¾	51¾	39¼	40	‡1.50
Sears, Roebuck	69⅞	31	101½	59⅝	95⅜	81	87¾	3.00
Shattuck (F. G.)	12⅞	7¼	19¾	11⅛	17⅝	12	12¾	.60
Shell Union Oil	16½	5½	28¼	14¾	34¾	25⅝	27	‡.50
Socony-Vacuum Corp	15¾	10⅝	17½	12½	20¼	16¼	19½	‡.25
Spiegel, Inc	84	43⅞	114½	63	28¾	19⅛	21½	1.00
Standard Brands	19⅛	12½	18⅛	14⅜	16¼	11¾	11⅞	*.80
Standard Gas & Elec	9¼	1½	9⅞	5⅛	14⅜	5¼	7	....
Standard Oil of Calif	41⅛	27¾	47⅝	35	50	39⅝	40⅞	*1.00
Standard Oil of Ind	33⅜	23	48½	32¾	50	40½	42⅝	*1.00
Standard Oil of N. J	52⅜	35¾	70⅜	51⅛	76	63⅛	66	*1.00
Stewart-Warner	18⅞	6⅝	24½	16½	21	17	17½	*.50
Stone & Webster	15⅛	2½	30½	14⅝	33⅝	17	19⅝	‡.25
Studebaker	10¾	2¼	15⅞	9⅛	20	12	13	....
Sun Oil	77	60½	91	70	77½	65	67	*1.00
T								
Texas Corp	30¼	16½	55¼	28⅞	65⅛	50⅜	57⅞	2.00
Texas Gulf Sulphur	36¾	28¾	44¾	33	44	33¾	34½	*2.00
Texas Pacific Coal & Oil	9¼	3¼	15¼	7½	16⅝	11¾	14⅛	‡.10
Tide Water Assoc. Oil	15⅞	7⅝	21¾	14¾	21⅝	15⅜	16⅞	.80
Timken Detroit Axle	13⅛	4⅝	27⅞	12⅛	28⅞	17¾	20½	*1.00
Timken Roller Bearing	72½	28⅜	74½	56	79	56¼	56½	3.00
Twentieth Century-Fox	24⅞	13	38⅝	22½	40⅞	33	34⅛	‡1.00
U								
Underwood-Elliott-Fisher	87¼	53¾	102⅜	74⅝	100⅛	73	82	‡1.75
Union Carbide & Carbon	75¾	44	105¼	71⅝	111	95	98⅛	3.20
Union Oil of Cal	24	14¾	28½	20¾	28¼	23	23⅜	1.20
United Aircraft	30⅜	9⅞	32⅜	20⅝	35⅛	23⅛	26½	‡.50
United Carbon	78	46	96¾	68	91	69¾	81	4.00
United Corp	7¾	1½	9¼	5⅜	8½	4	4¼	†.20
United Fruit	92¾	60½	87	66½	86¾	77	78⅛	*3.00
United Gas Imp	18½	9¼	19½	14⅛	17	11	12	1.00
U. S. Gypsum	87	40½	125¼	80½	137	103½	108¾	*2.00
U. S. Industrial Alcohol	50⅝	35⅛	59	31¼	43⅝	28	28⅝	....
U. S. Pipe & Fdy	22⅝	14¾	63⅞	21½	72¼	44½	48⅞	†3.00
U. S. Rubber	17¼	9⅛	49⅜	16⅜	72⅜	44¼	56¾	....
U. S. Smelting, Ref. & Mining	124½	91¾	103¾	72¼	105	78	83½	‡6.00
U. S. Steel	50⅝	27½	79⅞	46⅜	126½	75	98½	....
U. S. Steel Pfd	119¼	73⅝	154¾	115½	150	126½	132½	7.00
Utilities Pw. & Lt., A	4¼	1	7	3⅛	4⅞	1⅝	1⅞	....
V								
Vanadium	21¾	11¼	30⅝	16¼	39⅜	24⅛	25¾	....
W								
Walworth Co	....	....	12⅜	5½	18¾	11¼	14¼	....
Warner Brothers Pictures	10¾	2¼	18⅜	9¼	18	11⅛	12⅝	....
Western Union Tel	77¼	20⅝	96⅛	72½	83½	45	45	3.00
Westinghouse Air Brake	35¾	18	50⅞	34¾	57¾	40½	42	1.00
Westinghouse Elec. & Mfg	98¾	32⅝	153½	94½	167⅝	130¼	139¾	‡2.00
Wilson & Co	9¼	3⅞	11	6⅝	12¼	8½	9	.50
Woolworth	65¼	51	71	44¾	65⅜	44¼	45⅝	2.40
Worthington Pump & Mach	25¼	11¾	36¾	23⅛	47	30⅞	33½	....
Y								
Yellow Tr. & Coach, B	9¼	2⅝	23¼	8¾	37⅜	20⅛	23¾	....
Youngstown Sh. & Tube	47⅛	13	87¾	41¾	101⅞	74¾	80½	‡.75
Z								
Zenith Radio	14¾	1¼	42⅜	11⅛	40¼	30	33½	‡1.00

* Annual Rate—not including extras. † Paid last year. ‡ Paid this year.

How New Financing Affects the Security Holder

(Continued from page 360)

capital flotations there is frequently talk of "equity dilution." This term is often used loosely and sometimes quite erroneously. If rights are issued and a stockholder takes them up, there is no dilution of equity, if preferred stocks and bonds are sold there is usually no dilution of the stockholders equity. Immediate dilution of equity only occurs when a company raises new capital on terms which demand a greater outlay than the capital already invested in the business is earning. In other words, if a company is earning at the rate of 4 per cent on its capital and borrows money at 5 per cent there has already been a dilution of equity. On the other hand, if this new money injected new life into the business and enabled it to earn 6 per cent, it would mean that the dilution of equity had been well justified.

As a general rule the stockholder has to wait quite a long time before he can tell whether any particular piece of new financing has *in fact* diluted his equity. It depends upon the use to which the additional capital is put: if it builds a new plant and the plant shortly shuts down for lack of orders there has been a dilution of equity in fact, although it does not mean necessarily that the company's management should be blamed, or that even the most astute of statisticians could have discerned the dilution beforehand.

When it comes to the indirect effects on the stockholder of new financing they are, as might be expected, considerably harder to capture and discuss. These indirect effects, at least all of them that seem pertinent to the present article, are market effects. It may be clarifying, perhaps, to imagine a typical train of events leading up to new financing. The business of our mythical company begins to pick up. The news trickles out in the quarterly earnings' statements and special announcements from the company's president from time to time. There then comes a point where the business has so increased that there appears to be sound reasons for wishing an increase in working capital and plant facilities. As soon as the matter of additional capital becomes anything more than academic, the company's management, quite humanly and justifiably, will take steps to put the enterprise in the best possible light. Instead of merely passively permitting good news to be made public, officers and directors may actively seek its dissemination. Unless counteracted by outside influence, such as a general break in the security markets, the practical effect of this will be that the stocks and bonds of our mythical company will do better than their contemporaries. This will enable the company to raise the money needed on more favorable terms; if it is to be raised by the sale of common stock to existing stockholders, it may make a difference of ten points or more in the offering price. If the new security is to be a convertible issue, it enables the conversion price to be set considerably higher than would have been possible otherwise.

New financing is timed, so far as the officials are able, to coincide with a spurt in the company's business and with generally favorable outside conditions. This often results in financing being done at what may be termed a "peak of favorableness" from which there is a recession, sometimes slight and temporary, sometimes severe and long-lasting—a recession which naturally affects the old securities as well as the new. Thus, any stockholder contemplating the sale of some holding probably will do best if he liquidates on an announcement of new financing which follows a sharp run up in market price. The long-term investor, of course, will look at the situation from a more fundamental standpoint and he may very well decide that to attempt to catch "the financing recession" will thus leave

him in danger of losing his position.

Mention has been made already of how convertible issues tend to hold back a stock after the conversion price has been reached. There are other indirect effects of new financing: for example, effects in which psychology plays a major part. Today, for some reason or another, the need for new capital is considered a sign of weakness; it was not so long ago in the last bull market that the issuance of rights was considered among the most bullish of fuels.

Taking the direct and indirect effects combined, it is quite clear that old stockholders have plenty to think about and weigh as soon as they hear that their company is proposing to raise a major sum of new capital.

Answers to Inquiries

(*Continued from page 376*)

Mid-Continent Petroleum Corp.

I am holding 200 shares of Mid-Continent Petroleum bought at 33⅛. Because of the speculative interest in these and other oil shares prior ot the market break, I would like to know to what extent 1937 prospects are reflected in current price—if higher prices were unwarranted? Or is sharp improvement in order?—A. B. S., San Francisco, Calif.

Earnings per share reported by Mid-Continent Petroleum Corp. for the year 1936 were $2.57, very nearly double the $1.31 a share reported from operations in 1935. On the basis of earnings per share of stock outstanding, and the fact that the position of the oil industry and the prospect continue favorable, we do not believe that quotations prevailing at this time for the Mid-Continent shares discount future possibilities. Given generally stable or firm security markets, and assuming no adverse developments to alter the now favorable outlook for the oils, we think there is a very reasonable basis upon which to justify a forecast of speculative profits in Mid-Continent shares at current price levels. The reports thus far issued in the current year continue the uptrend in evidence for the past several years, and in the first quarter of 1937 Mid-Continent reported a net equal to 66 cents a share comparing with 51 cents a share for the first quarter of 1936. Mid-Continent, while not comparable in size to many of its competitors, is nevertheless in a strong operating position, engaged in the production, refining, transportation and marketing of petroleum and petroleum products. The marketing facilities comprise more than 7,000 retail outlets located in nineteen states in the Middle West. The company's refinery ran nearly 10,200,000 barrels of crude in 1936, about 5,700,000 barrels of its own production. Were it not for the pro-ration restrictions, Mid-Continent's own properties would have produced a much larger portion of its refinery run. Mid-Continent presents a strong picture, capitalized at 1,858,000 (approximate) shares of $10 par stock, no bonds and no preferred. Financial status is strong, the balance sheet showing cash and Treasury obligations totalling more than double the current liabilities at $7,300,000 and $3,400,000 respectively. Summarizing the position of the shares in relation to current quotations, we are inclined to look favorably upon them as a speculative media offering rather clearly defined profit possibilities.

B. F. Goodrich Co.

I recently sold my 100 shares of B. F. Goodrich common at 48½. I am now thinking of buying this stock back at today's lower prices, but first I would like to have your opinion of the prospects from here on. —C. S. K., Hartford, Conn.

We are favorably impressed with the outlook for B. F. Goodrich Co. earnings and we believe the stock has considerable attraction at current quotations. The trade position is well established as one of the four leading manufacturers of tires and tubes in the domestic field, of mechanical rubber goods, and of a wide variety of sundry articles is growing in importance. The operations of Goodrich last year produced net earnings equal to $4.04 a share on the outstanding common stock. This net income resulted from sales totaling about $141,000,000 registering a substantial advance over the $118,700,000 reported in 1935, although still well below the 1929 sales volume of $164,500,000. It is interesting to note, however, that the net income in 1936 was very nearly equal to the net income reported in 1929 on a larger sales volume, which indicates either a wider margin of profit or greater operating efficiency. The profit margins have varied rather widely over a period of years, which is characteristic of the industry. The present trend, however, is favorable, as will be seen by a comparison of the 1935 and the 1936 annual report. In the earlier year the ratio of selling and administration costs to net sales was 91.68% as against 89.66% in 1936. Most favorable results in recent years were recorded in 1925 when expenses consumed less than 84% of the sales, and a net income of $12,000,000 (compared with $7,300,000 in 1936) was reported on a low sales volume. Conditions at this time are favorable both as to prospect for higher volume of business, and for profit margins which depend to a large extent on price stability. Goodrich is so capitalized that, given favorable conditions, the pace of the increase in earnings is accelerated. Prior to the 1,303,000 shares of common stock outstanding is an issue of $24,700,000 of $5 preferred stock, and a funded debt totaling about $46,800,000. Fixed charges and preferred requirements need a little less than $5,000,000, and any earnings remaining above that figure are applicable to common stockholders. It will be seen that common share earnings can increase very rapidly on the basis of such a capital structure and it is easily conceivable that 1937 will produce such earnings as will permit of prices higher than those currently prevailing for Goodrich shares. We are inclined to endorse your proposal to re-purchase Goodrich shares for price appreciation.

Atlantic Refining Co.

Now, when Atlantic Refining is selling down around its low for the year, it occurs to me that this might be a good time to purchase some. I made a nice profit in this stock before on your advice.—J. P. K., Dallas, Texas.

Due to the fact that Atlantic Refining Co. still purchases the major portion of crude requirements, the narrow spread which has existed between crude and the refined product has tended to restrict earnings of the company for some time past. However, the company last year enjoyed a substantial improvement in the volume of business handled and because of this was able to report earnings on its common stock equivalent to $2.59 a share, after preferred re-

quirements, against $1.49 a share in the preceding year. Furthermore, a number of economies were effected by the management through closing certain uneconomic refineries and the construction of more strategically situated units. The company has also acquired considerable acreage during recent years with a view to lessening its dependence for crude upon outside sources. It is primarily to the greater efficiency of present refinery capacity and to the expanding volume of sales, however, that the stockholder must look for worthwhile earnings gains. With gasoline consumption exceeding previous estimates, it now appears that companies engaged in the refining and marketing divisions of the industry will enjoy a good year. Admittedly, gasoline stocks are high, but with consumption mounting as it is, maintenance of a satisfactory price level is indicated. Where conditions in the refining and marketing divisions of the industry in the past have been favorable, Atlantic Refining Co. has demonstrated remarkable earning power. In 1929, for instance, earnings on the common stock equalled $6.20 a share, and while that figure probably will not be witnessed for some time ahead, some current improvement over the $2.59 a share recorded last year may be shown.

American Snuff Company

American Snuff has not held up in recent declines as well as many of the other investment issues. As a new reader of your publication, I would like to have your views on its present position and prospects.—R. F. N., San Diego, Calif.

We do not believe it is quite accurate to say that the shares of American Snuff Co. have not exhibited a resistance to the down trend general throughout the market during recent sessions, comparable to that of the other investment issues, although it is true of course that the shares have reacted in sympathy with the decline general throughout the list. This we would attribute to factors applicable to the security market as a whole rather than to any weakness peculiar to American Snuff Co. While it is true that the first quarter of 1937 earnings have been estimated at a little below results produced in the corresponding quarter of 1936, that is in a large measure, attributable to a change in sales policy. 1936 earnings were slightly above those recorded in 1935, although in the later year tobacco costs were rising. American Snuff Co. is fortunately situated, being well entrenched in an industry that need not spend huge sums of money for advertising, but supplies a well established and steady demand for its product. Moreover the margin of profit is quite adequate, and snuff companies as a group have been regarded as having attraction for many years for investors concerned primarily with income. Nothing has transpired which would alter this qualification attaching to SNU shares, and at existing price levels, it would be difficult to find many issues to be rated its equal for stability of earning power, available at price levels which afford a comparable return in income to the stockholder. If that is your chief interest, we recommend retention. The prospects continue favorable.

International Tel. & Tel. Corp.

Do you believe the current weakness in International Tel. & Tel. mainly attributable to the Spanish civil war? Do you believe the shares would participate in any market improvement? Would greatest improvement come on the termination of the conflict? I am holding 150 shares averaging 13½.—P. H. C., Boston, Mass.

Buffeted by civil war in Spain, jolted by executive orders in Mexico, and tossed about by political upheaval in Cuba, subsidiaries of International Tel. & Tel. have had a most difficult time over recent years. On the one hand, there are internal economic and political developments in some sixty-seven countries to consider and, on the other hand, there are the international repercussions, particularly monetary and foreign exchange policies, to gauge. The company looks forward to a $37,660,000 bond maturity in January, 1939, and also would like to make further progress in reducing the $20,000,000 in bank loans. A major financial operation will eventually be performed on the currently unprofitable Postal Telegraph and Cable Corp. The Spanish Telephone Co. will apparently need doctoring after the termination of the conflict. At stake in Postal is approximately $45,000,000 of the company's funds and in the latter nearly $50,000,000 according to the year-end balance sheet. The Spanish company earned 50 cents per share for the parent company common in 1935—but what about 1936 and 1937, with war losses to be absorbed? Certain sizable write-downs have been made by International from time to time, for instance items like $1,992,245 in connection with the devaluation of the French franc and $3,930,068 in connection with withdrawal of a subsidiary from Mexico. Inasmuch as these nonrecurring items are chargeable to reserves and surplus, mere per-share earnings figures form an inadequate guide. As to the future, if the warfare in Spain is soon terminated, if international trade continues to pick up, if the citizens of the countries served make more telephone calls and use more of the company's manufactured electrical devices, if foreign exchange and currency policies are stabilized, then the stockholders should be pleased. Hazarding a prediction, we are of the opinion that the possibilities are sufficiently interesting to justify further patience in retaining your holdings.

(Continued on next page)

Standard Brands, Inc.

I am somewhat disappointed that Standard Brands did not do better in the major upmove of the past year. I am, therefore, undecided whether it is worthwhile for me to continue holding my shares purchased at 14⅜. How do you regard the future?—L. L. D., Bennington, Vt.

At the present time there is an interesting tug-of-war going on between national brands and private brands. The nationally advertised brands have developed consumer preference by means of extensive advertising, wide availability of product and reasonable prices. The increased competition from private brands comes at this time because of the effect of the Robinson-Patman Act, which prohibits preferential discounts to large distributors. The latter, in order to protect their narrow margins of profit, are turning to development of their own trade names. A company such as Standard Brands is affected by this movement, but it is believed that consumer demand will continue heavy for the better known advertised products. As you may know, Standard Brands was organized in 1929 primarily around the Fleischmann Co., largest producer of yeast. The other important trade names include Chase & Sanborn, Royal Baking Powder and Widlar Salad Dressing and condiments. These widely-known products are distributed through the highly efficient daily delivery system which contributed so largely to the success of Fleischmann in the yeast field. Quite obviously as a result of this service the company is in a position to stress the "freshness" of its products. The frequency of company contacts with the retail distributor and the resultant knowledge of consumer demands is also important. While Fleischmann has re-established itself as an important producer of gins and spirits, the profit possibilities of this product are indicated to be only moderate at best. A substantial increase in sales enabled the company to better its 1935 earnings of 97 cents per share to $1.13 per share in 1936. A dip in the first quarter earnings to 22 cents per share against 29 cents a year ago occurred in face of improving sales. The company has retired the outstanding 70,693 shares of $7 preferred and has issued 200,000 shares of new $4.50 preferred stock. This will provide for the retirement of the old issue and leave a substantial amount to be used for working capital purposes. The prospect for any sizable increase in earnings in the intermediate future appears doubtful; although it is likely that earnings will be sufficient to support the present annual dividend rate of 80 cents per share. On the basis of the market stability afforded by the issue and as a worthwhile income producer we advise you to leave your holdings undisturbed at present market levels.

Colorado & Southern Railway Co.

Fortunately, I sold my Colorado & Southern common in March. Since then this stock has receded to a new low, and I am thinking of picking up 100 shares. Do you think this would be wise now?—J. F. S., Evanston, Ill.

Thus far in 1937, reports issued by Colorado & Southern Railway Co. show a continuous uptrend in gross revenues which has been the rule since the depression year, 1932. This company serves a territory which is productive normally of a high volume of traffic widely diversified in character, tapping an area productive of sugar beets, grain, cotton, steel manufactures, crude and refined petroleum products. The trend toward high class manufactures and miscellaneous products has been very pronounced in the recent past. There is much room for further expansion. Gross revenues in 1936 totaled about $14,000,000, only a little over half the $26,000,000 reported in 1929. In that year net earnings per share on common stock outstanding were over $9. Last year the net was equal to 80% approximately of the amount required to cover fixed interest charges on the funded debt. It is because further increases in traffic volume could produce share earnings for the common stockholders of substantial proportions, that the shares of this company seem to have interesting speculative possibilities; and barring developments of an adverse character not in evidence at this time, we would forecast continued uptrend in the future of gross and net earning power. Colorado & Southern Railway Co. is controlled by the Chicago, Burlington & Quincy R. R., the latter owning 86% of the common and a great majority of the second preferred stock outstanding. The road shows a fairly comfortable financial status, and there appears little likelihood of developments which would cause concern in that regard in the near future.

American Metal Co., Ltd.

In view of the earnings progress American Metal Co. is making, and because it is now selling around the low of the year, I am thinking of buying some of this stock for investment. Please advise me.—G. L. K., New York, N. Y.

The report of American Metal Co., Ltd., last year revealed a net income equal to $1.08 a share, up very substantially over the 33 cents a share resulting from 1935 operations. The report for the first quarter of the current year, showing net of 63 cents a share, registered an acceleration in the uptrend, and your interest in the shares is natural as a result of publication of these statements. The company, directly, or through its holdings of stocks of other corporations, mines, smelts, refines and deals in copper, lead, zinc, gold and silver and platinum; but its chief interest at this time lies in its holdings of the shares of mining properties in South Africa, South America, the United States and Mexico and in its investment in Climax Molybdenum. In recent years the company has made heavy investments in South African copper properties, Roan Antelope, Rhodesian and lately acquired rich ore properties known as O'Kiep from Newmont Mining Co. It has been reported that the latter concern will erect the largest smelting plant in the territory in which it is located. Through its holdings in Mexican companies chiefly producers of lead and silver, its interest in Cerro de Pasco, and its investment in Consolidated Copper Mines, it is evident that the position of American Metal Company, Ltd., as a prime producer, is favorably situated to take advantage of any sustained increase in the demand for metals and give the shares considerable attraction on a speculative basis. Although the capital structure is simple, the financial position adequate, and prospects favorable, we consider the shares attractive more from the standpoint of appreciation possibilities, than as a commitment primarily for income, and we feel that if one is willing to assume some risk of the possibility of a basic change in conditions in the future in the world metal market, then one would be justified in acquiring these shares.

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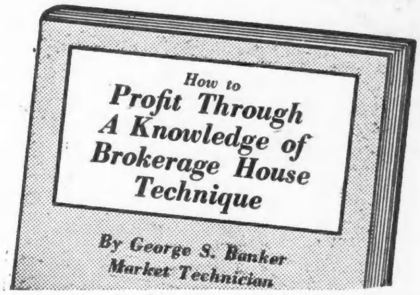

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Shares	Stock	Price Paid

Great Northern Railway Co.

I note that the 1937 outlook for the railroad industry is not generally conceded to be as promising as many other industries, yet Great Northern preferred remains well above its low for the year. Is Great Northern the exception to the rule? Is it situated to show progress through the year?—H. J. L., Jacksonville, Fla.

Despite drought conditions in the territory traversed by the lines of the Great Northern Railway Co., increased loadings of ore, lumber and miscellaneous items enabled the road to report a very worthwhile improvement in earnings last year. Thus, the earnings statement for the twelve months ended December 31, 1936, showed net income equal to $3.98 a share on the capital stock, against $2.87 a share for the year 1935.

The Finances of the road continue characteristically strong, and this situation, together with the good earnings showing, permitted the marketing of refunding bond issues on a very favorable basis. Early this year the road marketed a $50,000,000 issue of 3¾'s. and with the proceeds retired underlying debt bearing a higher rate of interest. It is estimated that total fixed charges of the road are now less than $15,000,000, whereas the figure stood a few years ago at approximately $19,000,000. Quite obviously, this saving has proven of considerable benefit to shareholders and accounts in part for the relatively favorable market action of the stock as compared with certain other railroad issues. Indications are that income in the agricultural areas served by the road will expand further this year as a result of government aid and higher average prices for farm commodities. This should react to the road's benefit as should also further improvement in the industrial situation as it affects the movement of iron ore, petroleum products, lumber, etc. Estimates place full year 1937 earnings in excess of $5 a share on the stock and if the trend of earnings improves, as is anticipated, dividend resumption seems logical. Considering the definitely constructive financing program carried out by the management over the past year and the prospects for further earnings gains this year, the stock certainly appears to offer interesting speculative possibilities at present price levels.

Gauging Autumn's Consumer Demand

(*Continued from page* 350)

roughly, 4.2 per cent. It is perhaps significant that the average monthly rate of gain began to slacken after April 1, no doubt reflecting the sobering influence of reaction in primary markets and temporarily disappointing trade.

It is a horse of a different color when we come to rent. Of all elements in the average consumer's cost of living this one has been, and is, advancing at the fastest and most persistent rate. It advanced more than 10 per cent during 1936 and has advanced an additional 5.2 per cent since last December. Rents are now back close to the 1929 level and less than 14 per cent under the abnormally high 1923 level. They are quite certain to go higher, because demand for housing exceeds new supply. This will *tend* to cut into purchasing power of tenants, but, of course, will fall most heavily on the minority whose incomes either are fixed or have risen but slightly.

Incidentally, rents are rising faster than the cost of building and this is the strongest reason for a confident forecast that the cyclical recovery in construction will continue. The higher rents go, the greater inducement to build. Taking the relationships of rents, building costs and construction awards over a period of many years it will be found that building booms occurred when rents were high as compared with the cost of construction. That relationship existed between 1921 and 1927. It is now being set up again. Since further expansion in construction—now only 50 per cent of normal—is the biggest single requirement in further general economic recovery, the rise in rents may be considered a favorable business factor, even though it will involve some re-routing of consumer expenditures.

The President has said, more than once, that a third of our people are more or less out of luck. The arithmetic may or may not be precise, but the groups pinched by rising living costs are pretty much the groups that always have been pinched under such circumstances. The purchasing power of 3,500,000 employees of government—local and national—and of some 5,000,000 individuals on relief; of many in service occupations; of numerous white-collar workers; of those dependent on interest and, in fact, of all who either have fixed incomes or can increase their incomes only slowly, is now lower than it was a year ago and is tending to decline. Variations in the incomes of these groups, however are normally small and hence play a minor role in the variations in aggregate consumer income.

Summing up the picture, our average consumer is not going on any buyer's strike this summer or next autumn—if his income holds up. Whether it holds up or not depends chiefly on the course of production. The outlook for production, assuming a not too long delayed climax in the present labor mess, is better than is current investment and business sentiment. Neither in the status of the heavy industries — including construction —nor the policies of the Government nor the trend of consumer income do we see the makings of more than temporary and moderate relapse in business.

Labor, Industry and Government

(*Continued from page* 347)

Republicans and many sound, conscientious Democrats in Congress, have recently united to carry out the will of the people.

Let me summarize briefly the methods proposed by the Executive to strengthen this one-man Government idea. In addition to the already enormous powers which Congress has vested in him since March, 1933, President Roosevelt demanded still more power in this session of Congress. The Supreme Court reorganization bill is an attempt to make the Judiciary dependent and subservient to the Executive.

The bill to reorganize the administrative agencies of the Government, including the Interstate Commerce Commission, Federal Trade Commission, Civil Service Commission, and others which have heretofore

been quasi-judicial bodies, is another grab.

The Black-Connery bill which would confer on a five-man board the authority to fix wages and hours of all industrial employees is still another. The effect of this bill is to place the economic fate of industry and its workers into the hands of a political board. The board could exempt any industry or a unit in any industry from the operations of the act. It is a bill giving enormous discriminatory and arbitrary power over the future of millions of workers. Now I favor a minimum wage bill. I have stated my conception of a sound and workable minimum wage bill. It would provide a minimum wage of 40c an hour for 40 hours, with over-time up to 48 hours, without the creation of a costly bureau with autocratic powers.

Industry as a whole must make a real effort to understand and properly discharge its social obligations. Labor is entitled to fair wages and hours and safe and healthy working conditions and in turn it must give efficient service and produce intelligent and responsible leadership, which is willing to abide by the laws of our country.

The government must guide both labor and industry impartially along the path of law and order. There must be a spirit of cooperation between these three groups for in no other way can the problem be solved in a democratic fashion.

Is the Era of Chain Store Merchandising Over?

(*Continued from page 363*)

Supermarkets also offer the chains a means of mitigating the restrictions of the Robinson-Patman Act. Although the latter legislation is apparently proving less onerous from the standpoint of the chains than was predicted at the time of its enactment a year ago, discounts and allowances for advertising and brokerage are less. With the supermarket, however, the chains are finding that it is still possible for them to profit on a much smaller mark-up, and prices still give them a competitive advantage over independents. The other alternative open to chains seeking to lighten their tax

New York Curb Exchange

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1937 Price Range High	1937 Price Range Low	Recent Price
Alum. Co. of Amer.	177½	120	142
Amer. Cyanamid B (*.60)	35⅞	26⅝	30⅞
Amer. Gas & Elec. (1.40)	48¾	28⅛	31⅜
Amer. Lt. & Tr. (*1.20)	26⅛	17½	18
Amer. Superpower	3	1⅛	1⅜
Assoc. Gas & Elec. "A"	5⅛	2⅛	2¼
Cities Service	5⅜	2⅝	2¾
Cities Service Pfd.	60	40¼	40½
Colum. G. & E. cv. Pfd. (5)	104¼	62	64
Colum. Oil & Gas (†.20)	10⅞	5¾	6⅞
Commonwealth Edison (*4)	139	104	105
Consol. Aircraft	33¾	19⅞	22
Consol. Copper	11⅝	7¾	10
Consol. Gas Balt. (3.60)	89⅛	65	65¾
Creole Petroleum (*.50)	38	28½	37⅝
Eagle Picher Lead (‡.20)	27⅞	17¼	18⅜
Elec. Bond & Share	28⅛	13½	15¾
Elec. Bond & Share Pfd. (5)	80	56½	57¾
Ex-Cell-O A. & T. (‡.40)	27⅝	18¾	19
Ford Mot. of Can. "A" (1)	29¾	21½	22
General Tire	38½	18⅜	22⅞
Glen Alden Coal (‡.12½)	15	9⅞	10
Gulf Oil of Pa. (‡.25)	63½	50	52½
Hecla Mining (‡.45)	25⅛	15⅜	17
Hudson Bay M. & S. (‡.75)	42	25¼	26¼
Imperial Oil (*.50)	24¼	20⅛	20⅛
Int. Utilities "B"	3¼	1⅜	1⅜
Lake Shore Mines (*4)	59½	46½	48⅛
Leonard Oil	2½	15/16	1⅛
Lion Oil Ref. (*1)	32½	16⅛	31⅝
Molybdenum	11⅜	8½	9
National Bellas Hess	3½	1¾	1¾
National Sugar Ref. (2)	28	24⅛	24¾
Newmont Mining (‡.75)	135¾	96¾	96¾
Niagara Hudson Power	16⅞	9¾	11
Niles-Bement-Pond (‡1.00)	56	40	51¼
Pan-Amer. Airways (*1)	75½	59	63½
Pantepec Oil	9⅝	5½	8¼
Pennroad Corp. (†.25)	5⅜	3½	3⅝
Pitts Pl. Glass (‡2.50)	147½	114½	124¾
Sherwin-Williams (*4)	154¾	118	120
South Penn Oil (*1.50)	48	42	43
Technicolor Inc. (†.50)	31	18⅝	29¼
United Gas Corp.	13⅝	7⅞	9⅛
United Lt. & Pw. "A"	11⅜	4⅝	5⅝
United Lt. & Pw. Pf.	75⅞	33¾	40

‡ Paid this year
* Annual rate—not including extras.
† Paid last year.

Bank, Insurance and Investment Trust Stocks

ACTIVE ISSUES

Quotations as of Recent Date

BANK AND TRUST COMPANIES	Bid	Asked
Bankers (2)	65	67
Bank of Manhattan (1.50)	31½	33½
Bank of N. Y. & Trust (14)	453	463
Central Hanover (4)	119½	122½
Chase (1.40)	48½	50½
Chemical (1.80)	63½	65½
City (1)	42½	44½
Corn Exchange (3)	63¼	64¼
First National (100)	1985	2025
Guaranty (12)	321	326
Irving Trust (.60)	14¾	15¾
Manufacturers (2)	51	53
New York (5)	129	132
United States Trust (†70)	1765	1815
INSURANCE COMPANIES		
Aetna Fire (1.60)	44½	46½
Aetna Life (†1.10)	27	28½
Am. Surety (2.50)	50¼	52¼
Fireman's Newark (.30)	10¼	11¾
Glens Falls (1.60)	42¼	44¼
Globe & Rutgers	53	57
Great American (†1.20)	24¾	26¼
Hanover F. (1.60)	31	33
Hartford Fire (2)	71½	73½

INSURANCE COMPANIES—(Continued)	Bid	Asked
Home (†1.30)	33½	35½
Ins. Co. of North America (†2.50)	66	67¼
Maryland Casualty	5½	7
National Fire (2)	63	65
Phoenix (†2.50)	84½	88½
Sun Life Can. (15)	575	625
Travelers (16)	455	465
United States Fire (†2.50)	51¼	53¼
Westchester F. (†1.40)	34½	36½
INVESTMENT TRUST SHARES		
Amerex Corp	24¾	26½
Brit. Type Investors	.50	.70
Bullock Fund	20⅜	22⅛
Corporate Trust—AA	3.52	....
Fidelity Fund	26.30	28.33
Incorporated Investors	24.01	....
Maryland Fund	9.05	9.92
Massachusetts Invest.	15.31	16.73
Nation-wide Securities B	4.24	4.34
No. Amer. Trust Shares 1958	3.14	....
Quarterly Income Shares	17.04	18.67
Spencer Trask Fund	19.84	20.88
Uselps Voting Shares	.92	1.00

†Includes extras.

burden would be to abandon their retail outlets in states where the going was particularly rough, selling them to former employes and continue to serve them solely in a wholesale capacity. About a year ago this plan impressed John A. Hartford, president of A. & P., as being the simplest way to meet the tax problem. Several chains are already engaged in wholesale activities and they would have a successful precedent in the case of some of the leading oil companies which have followed this method in cutting down their tax liability in states where discriminatory legislation has been enacted. Oil companies, however, unlike the chain stores are primarily interested in obtaining distribution of their own manufactured products and their business is not essentially that of a retailer. It may be then that the supermarket, in the long run, will prove the more effective solution to the chains' most pressing problem, inasmuch as it conforms more closely to their principal function.

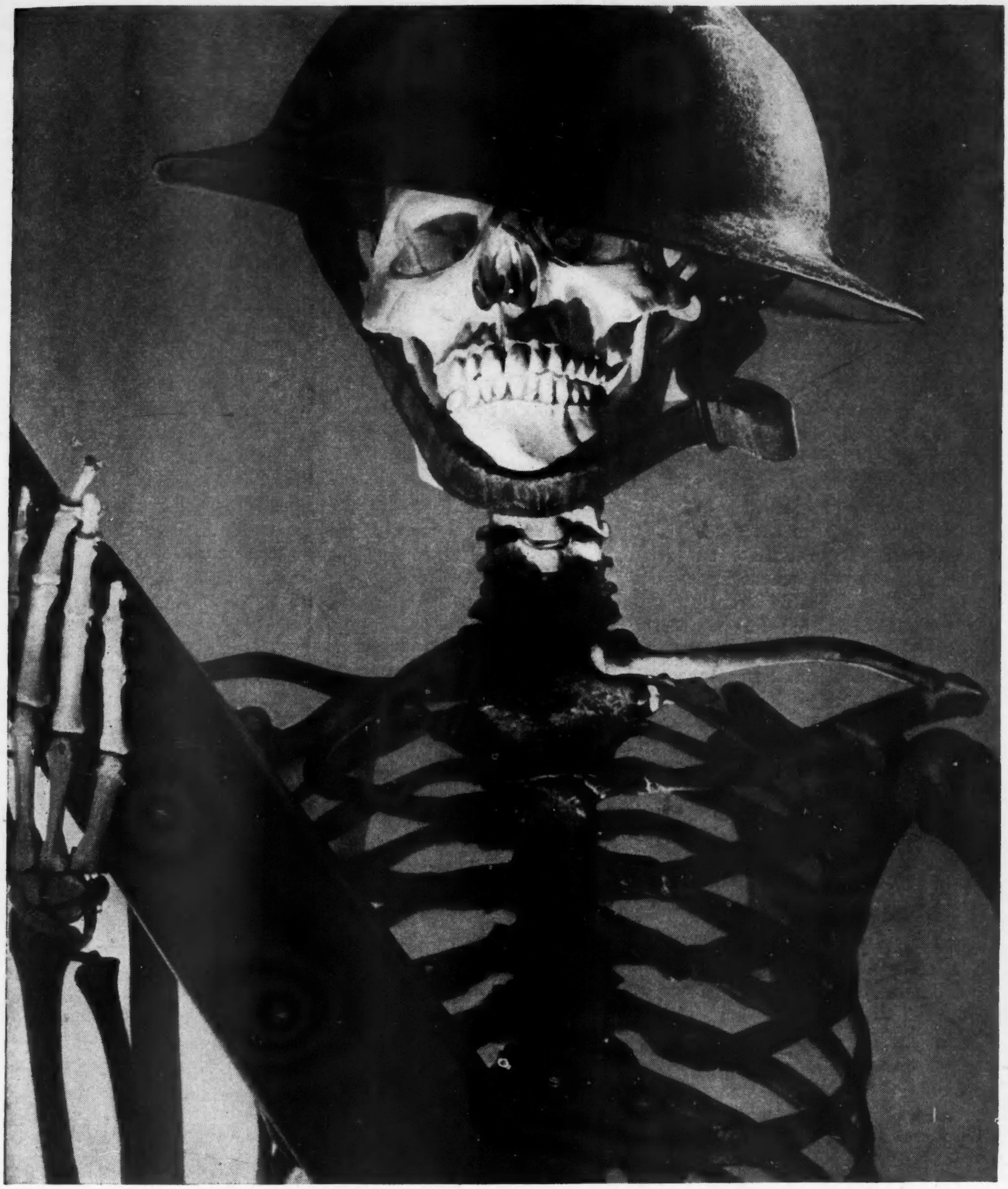
A number of states have enacted price maintenance laws which enable the manufacturer to set the price for which his product will be retailed and the Miller-Tydings measure introduced into the current session of Congress set a similar objective for merchandise entering into interstate commerce. State laws, of course, applied only to goods marketed intrastate. It now appears, however, that the Miller-Tydings Bill has been permanently sidetracked so far as the present session of Congress is concerned. Thus far interest in price-fixing legislation has been confined to manufacturers of drugs, liquor, books, hardware and radio and electrical supplies and there is no evidence that manufacturers of nationally advertised foods have seriously attempted to invoke existing state laws and it seems unlikely that they will do so. Food chains account for anywhere from 50 to 70 per cent of manufacturers' total sales volume and it is to be doubted that they are desirous of jeopardizing these important outlets. Food chains, and particularly the larger ones, feature their own brands, and it is certain that any attempt on the part of manufacturers to fix the price of nationally advertised brands would provoke retaliatory measures on the part of the chains. Chains would be in a strategic position to call the attention of their customers to the difference in price between their own brands and those on which the price was fixed by the manufacturer. This method has been employed with considerable success by a leading department store in New York City. Co-operative and voluntary chains, on the other hand, might be placed at a disadvantage in introducing and developing their private brands.

So far as the future growth and development of the chains is concerned, the spread of the co-operative and voluntary chain movement stands as a formidable obstacle. It has been estimated that at the beginning of 1929 there were 375 voluntary and co-operative organizations in the United States, with a membership of at least 55,000 merchants, mostly independent grocers. A year ago there were 809 voluntary groups with a retail membership of more than 110,000. Apparently the independent merchant has awakened to the advantages of efficient merchandising principles as practiced by the chains and emulated by voluntary associations. At least one large chain store system has established its own voluntary which it services both in an advisory and wholesale capacity, and whether or not other corporate chains will pursue a similar course, the fact remains that voluntary chains are now a strong competitive factor and will probably act as a definite brake upon the expansion of corporate systems.

Like every other industry chain stores must reckon with the rising trend of costs, particularly in the items of salaries and wages. As yet they have experienced no serious labor difficulties but there is a movement toward the organization of chain store employees and increased overhead costs appear inevitable. In this direction also, supermarkets requiring less personnel and transacting a larger volume of business offers at least a partial solution, but on the whole, the chains may count themselves fortunate if they are successful in maintaining their already skimpy profit margins.

Much that has been said in this discussion applies principally to grocery chains. Yet most of the points raised are applicable to other types of chains—variety stores, drug chains, mail order and general merchandise chains and restaurant chains. Variety stores and mail order and general merchandise chains are better equipped to cope with the tax problem than are grocery chains. The average size of the units operated by these groups is larger than the average grocery unit, with the result that the greater volume of business and larger profit per unit enables them to more readily absorb discriminatory taxes. Variety stores, however, are being steadily forced to alter their policies by increasing the maximum price limit of merchandise carried. Practically speaking there are no more 5-and-10 cent stores, prices now running as high as $1 and more. This tendency, while serving to enlarge volume to some extent, is bringing the variety chains more and more into competition with department and specialty stores. It is obvious that this group of merchandisers reached a practical limit to their possibilities for continued growth under their former price methods and were compelled to broaden their scope of prices and merchandise.

There is no evidence to refute the soundness of the chain store merchandising principle. It imposes a high premium on efficiency in every department of retailing and the manufacturer and consumer alike have shared the benefits. As beneficiaries, both the manufacturer and consumer can be relied upon, eventually at least, to make their voices heard in resisting further efforts to place the chain store at a disadvantage through punitive taxes and other forms of discriminatory legislation. From the standpoint of the investor, the conclusions are obvious. With the possibilities for future growth comparatively circumscribed both in the grocery and variety chain fields, stockholders must content themselves with returns which are likely to be more or less static. General merchandising and mail order chains may well enlarge both their volume and profits with the benefit of increasing purchasing power, but the choice of issues among these groups should recognize that from this point on successful merchandising will call for the utmost managerial skill in the handling of inventories and overhead costs.



CORN-FED KID FROM THE WEST

HE joined up in '17. Didn't quite know what it was all about, but it seemed the thing to do at the time.

Then the front — and suddenly War lost every vestige of its glamor. He was scared. He was bewildered.

He and another kid, who had become his best friend on earth, were out on a patrol. Something hit them. His friend was instantly transformed into a filthy mass of blood and bones and slime. He himself was too weak to move, or call for help, or groan. Then he moved no more, ever.

* * *

Poor kid? Of course. But perhaps he's lucky after all. He didn't live to see the beautiful ideals he fought for—*"To make the World safe for Democracy"* . . . *"To Protect the Rights of Little Nations"* . . . *"A War to End Wars"*—proven to be the empty notes with which the Pious Pipers had lured so many kids like him to their deaths.

He didn't live to learn that millions of dollars had been spent by various interests to "educate" our people to the necessity of entering the war on the "right side."

And he didn't live to see the whole world ready to be at each other's throats again—*with ordinary citizens like us sitting by stupidly, whining "Isn't it terrible—but what can we do about it?"*

Well we can *try* to do something! . . .

Write to World Peaceways, 103 Park Ave., New York City.

Possibilities in Socony-Vacuum

(*Continued from page 357*)

barring unforeseen events, this trend is likely to continue. In some countries, the improvement has been quite marked and well sustained, in other countries there have been periods of retrogression in general business conditions as an offset to the more favorably situated foreign markets.

In regard to armament activities abroad and its effects on the world markets for petroleum products, Mr. Brown stated:

"Armament programs have been a temporary stimulus to industry in some foreign countries, in the sense that they appear to have contributed toward reduced unemployment and have consumed considerable quantities of raw materials and finished products. This stimulation has probably aided petroleum markets. The benefit has been indirect, of course, since actual consumption or stocking of petroleum products directly connected with armament programs is a negligible factor in relation to the total world demand for these products. Any time that armament activities can be diverted to peaceful industrial pursuits, world trade will benefit and the ultimate gain will be well worth whatever temporary difficulties may be involved in the transition to peacetime national economies based on harmonious foreign trade relationships throughout the world."

Statistically, Socony - Vacuum stock appears to be reasonably valued. At around 19, the shares are selling less than 14 times 1936 earnings, as compared with Standard Oil of New Jersey about 18 times 1936 earnings and Standard Oil of California about 22 times last year's earnings. Both of these Standard units have important foreign interests, although a somewhat better position in regard to crude oil reserves. Another large member of the Standard family which likewise has inadequate crude supplies for its present refinery needs and only small foreign interests is Standard Oil of Indiana, which sells approximately on the same ratio to 1936 earnings as Socony. The comparisons would appear to indicate that the stock market has valued Socony-Vacuum shares on the basis of its position as a refining and distributing unit, rather than with regard to its foreign interests.

During the past year or so Socony-Vacuum has considerably improved its crude oil position, both in regard to actual production and potential supplies not yet fully developed. In 1936, acquisitions of new crude reserves included the purchase of approximately 5,500 acres in the prolific Rodessa field in Louisiana and Texas, the joint acquisition with Texas Corp. of the Colombia Petroleum Co., which in turn controls the 500,000-acre Barco Concession in Northeastern Colombia, and a 741,000-acre government concession for exploitation of crude oil in the states of Monagas, Anzoategui and Guarico, Venezuela.

In 1936, the company produced about half of its domestic refinery requirements of crude oil. In former years more than half of domestic refinery crude supplies are understood to have been purchased. Domestic crude as well as refined products normally are exported to augment the facilities of foreign subsidiaries. There is considerable elasticity in the international set-up of the company which makes it quite adaptable to changing market conditions in different countries. In order to transport the company's products throughout the world, it maintains a marine fleet of 200 vessels. Overland transportation is provided by pipe lines totalling 7,800 miles and a fleet of 6,200 motor trucks and 2,300 railroad tank cars. Domestic production in the Mid-continent and Texas fields is controlled through Magnolia Petroleum and on the West Coast through General Petroleum. Thus, while the company in its entirety is primarily a manufacturing and marketing organization, its facilities are well balanced for efficient operation in its particular sphere of the world's petroleum markets.

Most readers are familiar with the recent history of Socony-Vacuum and also possibly with the longer history of the two constituent companies which formed the present concern by merger in 1931. Vacuum Oil, specializing in the manufacture and sale of quality lubricants, had a large foreign business, mostly in Europe. Standard Oil of New York, specializing in gasoline, had a large foreign business centered in the Orient, and also controlled a large part of its own crude supply through subsidiaries. The subsequent consolidation of operating units made it possible to avoid some duplication of effort, and involved readjustment of staff, and realignment of manufacturing and distributing operations. This was an arduous task, and one which the management did not appear to run through with undue haste. Conditions have only recently become really favorable for a commensurate realization on the present company's net plant investment of over $400,000,000 and the substantial capital expenditures since the merger.

Statistical measurements, based on operations during the past six years, therefore, hardly do full justice to the inherent investment merit of the shares, considering all of the important background factors which are submerged by the bare statistics. Yet net profits of $42,909,362, as reported by the company for 1936, were almost twice the average level of profits in the three preceding years, when net income ranged between $22,500,000 and $24,100,000. Last year's earnings represented a return of close to 11 per cent on net property investment. Per share profits were $1.38 after surtax on undistributed profits in 1936, as compared with per-share profits of from 72c to 77c in the three preceding years.

The year to year gain in profits last year was fully in line with the experience of most of the oil companies. A lagging tendency in earlier years is attributed partly to the fact that operating conditions were relatively less favorable in the foreign divisions. Presumably, improvement in foreign business ran a close parallel to improvement in the domestic phase of the petroleum industry, last year. Earnings improvement has continued during the first quarter of the current year, a recent semi-official estimate indicating profits equal to approximately 41 cents a share for this period as compared with about 23 cents a share in the first quarter of 1936. It is believed that the second quarter has shown satisfac-

tory seasonal improvement as compared with the initial quarter and that the per share figure for the June period will be moderately better.

Socony - Vacuum is capitalized with 31,708,452 shares of $15 common stock, with approximately $68,370,000 long term debt outstanding at the end of 1936. The company has a strong net working capital position ($176,300,000 at the end of the past year) and an excellent credit standing on which to obtain any special working capital requirements that might arise from time to time. By recent arrangement to issue an additional $75,000,000 18-year debentures bearing 3¼ per cent bonds (placed privately with several large insurance companies), Socony-Vacuum will obtain new capital on a low cost basis to finance capital expenditures anticipated this year. During the past year or so, capital requirements have been met without permanent financing, a policy that created some limitation as to dividend distributions to shareholders. Following the policy of other large industrial concerns in a similar situation, Socony-Vacuum presumably finds in the type of financing recently announced, a means of avoiding undue tax penalties in regard to undistributed profits, and will now have wider latitude in the matter of dividend distributions. The shares are not considered to be on a regular dividend basis, although payments in 1936, including a "special" distribution, aggregated 70 cents a share. Prospects appear favorable for a somewhat larger aggregate distribution in 1937.

Happening in Washington

(*Continued from page* 353)

a generation but now feel themselves licked and their only hope is that Supreme Court will declare it unconstitutional, which gives them an additional thought on the subject of Supreme Court packing.

Treasury embarrassment may be backfire from tax inquiry as evidence indicates many loopholes were known for years but administration did nothing until discovery it had overestimated yield of new tax law and needed an alibi.

As I See It!

(*Continued from page* 343)

If such a conflict develops, the United States is bound to become involved.

The leadership in the world today is of a low moral caliber. The law of the jungle which reigned throughout the dark ages has returned. The rape of Ethiopia, the war in Spain instigated and perpetuated by outside nations typify the trend. A weakened France could be the next victim.

The world faces a crisis of great magnitude. The forces of destruction against civilization may be loosed at any time.

Niles-Bement-Pond Co.

(*Continued from page* 369)

current assets, including more than $1,000,000 in cash and marketable securities, were in excess of $5,000,000, as compared with current liabilities of less than $750,000. Working capital thus seems ample and the company appears well able to pursue a liberal dividend policy. Cash payments last year amounted to $1 a share, in addition to which a stock dividend was paid of ¼ share of General Machinery Corp., having a taxable value of $5.65 a share. This year two dividends of 50 cents each have been paid, and total cash dividends should amount to at least $2 a share. It might be noted also that inasmuch as dividends last year were in excess of earnings, the company's current liability for surplus profits tax is reduced accordingly.

The 173,025 shares of stock outstanding comprise the entire capitalization, and it has already been shown that the company, with a small capitalization such as this, can with a reasonable upturn in earnings show quite a substantial gain in per-share results. Although the shares are not the best type of issue to acquire for longer term holding, the company's current prospects appear reasonably appraised at recent prices around 51, on the New York Curb Exchange. With the benefit of better market conditions generally, the shares might be expected to sell well above previous high of 56 this year.

Stocks Which Resisted Decline Appraised

(Continued from page 368)

cumulations have been steadily reduced. No dividends have been paid on the common since 1931 but the complete liquidation of preferred accumulations and the resumption of common dividends appears to be a reasonable forecast for the near future.

The shares of Deere & Co., although a rather volatile issue marketwise, are currently quoted around 127 or only about ten points under the high of 137½ for this year. The strong aspects of the company's current prospects in all probability would attract a considerable speculative following to the shares in a period of renewed market interest, and the chances appear good that speculative commitments acquired at this time will be a profitable venture.

United Carbon Co.

United Carbon Co. is one of the two leading manufacturers of carbon black, a product which derives considerable industrial importance from its fineness of division. Of the total carbon black produced annually, about 75% is used in the manufacture of automobile tires, while other consuming outlets include the paint, printing ink and other industries. More than 60% of the world's supply of carbon black is produced in its Texas Panhandle where the principal properties of United Carbon are located.

Reflecting a steady rise in industrial demand for carbon black, accompanied by considerable improvement in the statistical position of the product to a point permitting higher prices, United Carbon has the unusual distinction of establishing record high earnings for the past three successive years. Also, contributing to this unusual record has been the substantial gain in the sale of natural gas. The production of natural gas is an important phase in the manufacture of carbon black and United Carbon has its own natural gas plant and pipe line and owns and leases many thousands of acres of gas land, including about 500 acres in the Rodessa field.

Net profit of $2,202,850 last year was equivalent to $5.54 a share on the 397,885 shares, comprising the entire capitalization. This is a gain of 18% over 1935 when net totalled $1,872,405 equal to $4.70 a share. In the first quarter of the current year sales of both carbon black and natural gas were at new high levels, with production of carbon black still running behind sales. As a result, further substantial reduction has been made in inventories which were estimated, earlier this year, to have been no more than about two months' supply. As a consequence, net income in the first three months was equal to $1.81 per share, contrasted with $1.42 a share in the corresponding period of 1936. Although profits in the second quarter will record a further substantial gain over the similar period of last year, net may be slightly less than in the first three months. It is probable, however, that net for the first six months will show close to $3.50 a share available for the common stock. This would compare with $2.73 a share earned in the first six months of 1936.

On the basis of these results, earnings for the full year may approach $7 a share and would amply justify an increase in the present $4 dividend, or the payment of a liberal extra. The company's outstanding record of sustained earning power largely explains the strong resistance offered by the shares in the market decline and, at the same time, places them among the more attractive issues for confident acquisition at this time. Recent quotation, 80.

Over-the-Counter

ACTIVE ISSUES

Quotations as of Recent Date

	Bid	Asked
American Book Co. (4)	62¾	65¾
American Hardware (1)	34¾	36
Climax Molybdenum (1.20)	45¼	46¾
Columbia Baking	8	10
Columbia Broadcasting "A" new	28	29½
Crowell Publishing Co. (3)	45	48
Dictaphone Corp. (2.50)	64½	68½
Draper Corp. (*5.40)	81	84
Mercke Co. (1)	35	36½
National Casket (3)	42	47
Ohio Leather (1)	19	24
Scovil Mfg. (2)	41	42
Singer Mfg. Co. (*16)	300	304
Trico Products (2.50)	40¼	41⅞
Wilcox & Gibbs	26	29
PUBLIC UTILITIES		
Alabama Power Pfd. (7)	68½	69½
Carolina Power & Light Pfd. (7)	90	92
Columbus Rwy. Pwr. & Lt. Pfd. (6)	103	106
Dallas Power & Light Pfd. (7)	113	115
Jersey Central Pwr. & Lt. Pfd. (7)	87	91
Kansas Gas & Electric Pfd. (7)	109	111½
Kings Co. Ltg. Pfd. (7) "A"	56	60
Long Island Ltg. Pfd. (7) "A"	79	81
Metropolitan States Pwr. Pfd.	30	35
Nebraska Power Pfd. (7)	103½	106
New Orleans Public Serv. Pfd.	60	61
Nor. States Pwr. Pfd. (7)	84½	87½
Pacific Power & Light Pfd. (7)	67	70
Tennessee Elec. Power Pfd. (6)	49¾	51½
Tennessee Elec. Power Pfd. (7)	54	55¾
Texas Power & Light Pfd. (7)	102	104
Utica Gas & Elec. Pfd. (7)	93	95
TELEPHONE & TELEGRAPH		
American Dist. Tel., N. J. (5)	117½	120½
Empire & Bay State (4)	61	....
Mountain States Tel. & Tel. (8)	138	142
N. Y. Mutual (1.50)	25	28
Peninsular Telephone (1.60)	26	28
Southern New England Tel. (7)	155½	157½

* Includes extras.

IN THE NEXT ISSUE

A Billion in Sterilized Gold

Re-examining the Prospects for Inflation

BY H. M. TREMAINE

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